MTI
Group

# MTI Annual Report 2023

Made to Innovate

## Company Overview

**MTI Wireless Edge Ltd** (“MTI”, the "Company" or the “Group”) (AIM: MWE.L) has established over the last 50 years its reputation as a technology group focused on comprehensive communication and radio frequency solutions across multiple sectors through three core divisions:

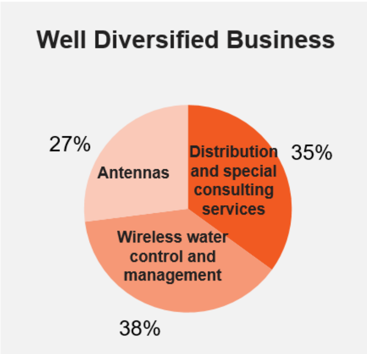
**Antennas:** A one stop shop for the sale of ‘off the shelf’ flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

**Water Control & Management:** This division provides wireless control systems to manage agricultural irrigation and water distribution for municipal authorities and commercial entities. It operates under the “Mottech” brand and utilises hardware technology from Motorola, integrated with the Company's own proprietary management software. Mottech’s solutions reduce water and power usage whilst providing clients with higher revenue from accurate irrigation, leading to more and higher quality crops and plants being grown.

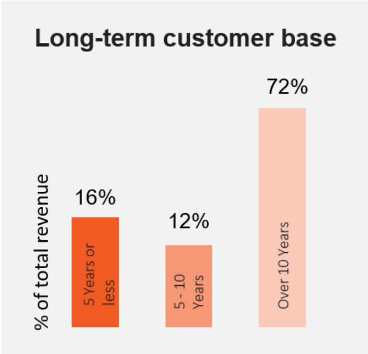
**Distribution & Professional Consulting Services**: Operating under the “MTI Summit Electronics” brand, this division exclusively represents 40 international suppliers of radio frequency/microwave components and sells these products to Israeli and global customers. Expert knowledge of both the international suppliers and customers further enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

MTI is based in Israel, India, the USA, Canada, South Africa, Australia and China. As at 31 December 2023, MTI had a total of 235 employees.

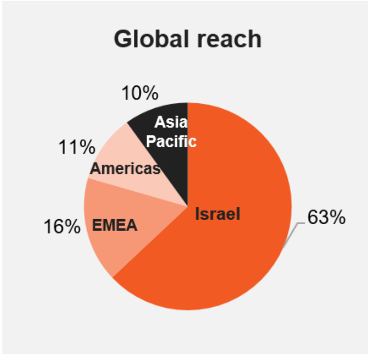
## 2023: Diversified revenue base & long-term customer base




**Minor change from 2022**

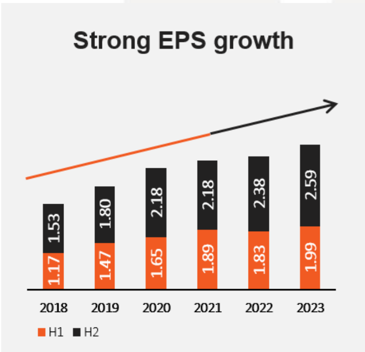



**Minor change from 2022**

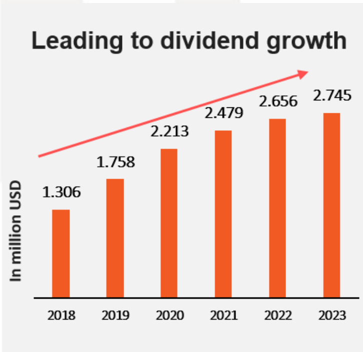



**EMEA grew over Americas**

## 2023: Building on a good track record




**70% growth in 2018-2023**




**110% growth in 2018-2023**

11 Hamelacha st. Afek Industrial Park, Rosh-Ha'Ayin 4809121 | Tel. +972.3.9008900 | Fax. +972.3.9008901

# 2023 Highlights

**Strong financial performance and a threefold increase in share buyback programme**

- Revenue of US$45.6m (2022: US$46.3m) on a constant currency basis, this represents an increase of 2% over last year
- Profit from operations increased 1% to US$4.65m (2022: US$4.59m), including US$0.2m impairment of goodwill related to the acquisition of PSK
- Profit before tax increased 12% to US$4.84m (2022: US$4.32m)
- Earnings per share increased by 9% to 4.58 US cents (2022: 4.21 US cents)
- A 2% increase in adjusted EBITDA to US$6.16m (2022: US$6.06m), helped by the economies of scale from the increasing size of the Group
- Net cash of US$8.1m at 31 December 2023 (31 December 2022: US$8.1m)
- Increased final dividend by 3% to 3.1 US cents per share (2022: 3.0 US cents per share)
- Expansion of buyback programme effective from 12 March 2024 until March 2025 with increased funding from £200K to a maximum of £700K

**Solid performance coupled to strong growth drivers for 2024 and beyond**

- Antennas – completed a successful year with 5% revenue growth in 2023 and the prospect of increasing revenues in 2024. Sales of military antennas increased sharply with demand from both local and international markets, while commercial antenna sales decreased primarily in legacy fixed wireless access antennas (after a sharp increase in 2022). Sales of the Group's 5G backhaul solutions and the ABS® antenna solution to counter small mast movements continued to attract strong interest from several Tier One customers.
- Water management – revenue reduced by 6% due to slower activity in some international markets, while price increases and a preferable exchange rate increased the operating profit of this division by 8% over 2022. Water scarcity remains a fundamental issue, resulting in increasing demand for Mottech's expanding product range through good organic growth from existing clients and expansion of the customer base into new markets.

- Distribution – revenue was level with 2022 but operating profits were significantly below 2022. As explained within the half-year results, PSK encountered delays on two projects which led to losses for the year in this business. One project completed in 2023 and the second should be completed in H1 2024. PSK has begun 2024 strongly with a good orderbook for the coming months and the prospects for this division including PSK are promising, with new business being driven by Governments worldwide seeking to increase their investment in defence.

**Moni Borovitz, Chief Executive Officer of MTI Wireless Edge**, said: "We made good progress this year growing revenue on a constant currency basis, and growing overall profits despite the challenges in Israel in the last quarter of the year. We are seeing compelling opportunities in all segments of our operations. In particular, the increase in defence budgets worldwide and the opening of the Indian market for E-Band 5G backhaul, which represents a substantial opportunity for us over the medium term.

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

# Chairman's statement

I am pleased to report on a successful year in which the Group delivered good progress at all levels. While the economic conditions have been challenging globally for some time and more recently, conflicts have broken out here in Israel, the business has adapted and continued to perform well.

The increase in the number of conflicts worldwide in recent years has directly led to governments expanding defence programmes and spend on defence. There is a delay in this increased spend filtering through to the sector's supply chain, but it is now positively impacting MTI's business. This together with our unique expertise in commercial markets, especially in providing our 5G backhaul solutions and wireless water management solutions, gives us confidence in the direction where the Company is headed.

### Trading overview

Diversification is a key strength. At any one moment, it is typical for one of the areas of the business to be particularly strong. In the current environment, that area for MTI is defence. For obvious reasons which we would all rather weren't the case, military related orders have been increasing for some time. NATO countries and the Israeli government are increasing their defence spend and are expected to continue to do so. This is also the case for many other countries around the world. As a result, the pipeline of orders for defence has been increasing in recent years and there are further opportunities for MTI at varying stages of progression.

### Dividend

Reflecting the strength of the Company's trading performance the Board is pleased to declare a final dividend of US$0.031 per share representing a 3% increase on the previous year (2023: US$0.03). The dividend will be paid on 11 April 2024 to shareholders on the register at the close of trading on 22 March 2024 (ex-dividend on 21 March 2024). The currency translation into British Pounds will be made on 25 March 2024 and there will not be a scrip dividend alternative.

We also decided to increase the Company's share buyback programme effective from 12 March 2024 and hold the shares purchased for a longer period of time. The board agreed to increase the funds that can be used under the share buyback programme from £200K to £700K as we believe strongly in the prospects of the business.

### People

The MTI teams around the globe all performed very well during the year, maintaining very high operational performance levels and delivering margin progression. I would like to specifically thank our teams in Israel for doing excellent work during a very challenging year for Israel. The dedication, solidarity and joint focus helped us navigate successfully through this difficult period. Our teams are working towards agreed targets and exploiting new opportunities with both existing and new customers.

**Outlook**

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

2024 has started well for the Company with an increased pipeline of opportunities across all of our three divisions. We are looking forward to delivering another year of growth and increased returns for our shareholders.

**Zvi Borovitz**

**Chairman**

# Chief Executive's review

## Introduction

2023 was a successful year for the Company. The business grew on a constant currency basis despite uncertainties in the global economy throughout the year and the conflict in Israel in the last quarter of 2023. Each division, under their respective management teams, made good progress, retaining and expanding their customer bases and growing their businesses overall. As a result, entering 2024, the Company is well placed to continue to invest in people, innovation and new products, alongside generating attractive returns for shareholders.

## Financial results

Revenues for the twelve months to 31 December 2023 decreased by 1% to US$45.6m (2022: US$46.3m) mainly due to currency exchange fluctuations and on a constant currency basis revenues grew by 2%, a positive performance.

Our gross margin rates improved slightly reflecting the mix of products sold in different markets and the Group's ability to successfully pass price increases onto customers.

Operating profit in 2023, excluding a one-off impairment of goodwill charged to general and administrative cost, grew 6% to US$4.84m (2022: US$4.59m), demonstrating the scalability of our business.

Profit before tax grew 12% to US$4.84m (2022: US$4.32m) reflecting the strength of our balance sheet and the influence of currency exchange rate fluctuation. This growth includes financial income as a result of revaluing the contingent liability relating to the potential deferred consideration for the PSK acquisition. This led to a strong increase of 9% in earnings per share to US4.58 cents (2022: US4.21 cents).

Adjusted EBITDA grew 2% to US$6.16m (2022: US$6.06m).

Cash flow generated from operations for 2023 was US$3.6m, similar to 2022 and in line with our business model to convert most of the operational profit into operational cash flow. This resulted in a net cash balance of approximately US$8.1m, similar to that as at 31 December 2022.

The board has agreed to increase the Share Repurchase Programme (on similar terms and conditions originally announced by the Company on 13 April 2022) by an additional £500,000 effective from 12 March 2024 and extend it until 31 March 2025. The objective of this programme is to assist with trading liquidity, by accumulating shares in treasury through market purchases and then selling, at a later stage, blocks of shares to institutional shareholders.

## Operational review

Over the last 50 years MTI has established its reputation as a global provider of comprehensive radio frequency solutions across multiple sectors through three core divisions.

*Antennas*

This division is a one stop shop for the sale of 'off the shelf' flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

In 2023, revenues from this division increased by 5%, a good result reflecting a sharp increase in demand for military antennas. There was a moderate increase in Radio Frequency Identification (RFID), while demand for legacy antennas for fixed wireless access decreased, after an unexpected increase in 2022. We saw a small decrease in 5G backhaul solutions, as commercial investments were slower in 2023.

Military antenna sales increased sharply in 2023, reflecting very high enquiry levels and a significant increase in global military spending. Demand came from multiple international projects, mainly European orders, involving both direct engagement with European systems houses and indirect exports of MTI's solutions via Israeli systems houses selling a full solution worldwide. Current events around the world suggest that requirements for military equipment will continue to grow in coming years. In Israel, the recent conflict has triggered an increase in demand which is likely to lead to higher stock levels and solutions of all military equipment being maintained by the government going forward.

5G sales were slightly lower in 2023 compared to 2022 as a result of slower installation rates in key markets. That said, the expected future demand for our 5G solutions is unchanged. We continue to believe that our solutions are ideally positioned to generate significant long-term revenues alongside the roll-out of 5G networks globally by the major mobile phone operators.

2022 saw the opening of the Indian market for E-Band 5G backhaul and in 2023 shipments were made although, as anticipated, the timing of orders has been sporadic. MTI is well placed in India with a strong local presence and has demonstrated the quality and reliability of the MTI solution to key clients. There is no doubt that once 5G is rolled out in India the requirement for MTI's products will be substantial.

The ABS® antenna solution which ensures the antenna adapts to any small movements caused by different climate conditions, including wind or temperature, continues to make excellent progress and is now entering into production after successful tests by several key Original Equipment Manufacturers (OEMs).

*Water Control & Management*

This division provides wireless control systems to manage irrigation and water distribution for agriculture, municipal authorities and commercial entities. It operates under the Mottech brand and utilises part of the hardware technology from Motorola, integrated with the Company's own proprietary management software. Our solutions reduce water and power usage, whilst providing higher revenue from accurate irrigation, leading to more, and higher quality, crops and plants being grown.

Mottech had another good year, although revenue declined by 6% primarily due to adverse currency movements. Conversely and arguably more importantly, currency movements helped improve profit margins, together with price increases that were accepted at the end of 2022, resulting in Operating Profit improving by 8%. Recurring revenues continued to improve and represented 20% of all of the division's income in 2023.

Mottech continues to seek to innovate and expand its services to existing and new clients. For over 30 years, Mottech has been providing irrigation services to a number of municipalities in Israel, ensuring efficient water usage across public parkland and green open spaces. More recently, Mottech has expanded its services into monitoring and partially controlling urban fountains. The first such project was completed in Q1 2024, comprising 40 fountains which are now centrally controlled and monitored, generating significant savings in water and costs for the municipality, while also adding safety and security features to the systems. As a result of this project, other large municipalities in Israel have shown interest in adopting Mottech's solution for fountain management, suggesting this may well become a valuable future revenue stream.

The strategic partnership with Viridix has continued to develop over the last year. Viridix is an innovative autopilot solution that measures the water available to the roots of plants enabling greater irrigation precision. Alongside new Mottech contracts, the Viridix capability is being adopted in metropolitan irrigation.

Water scarcity continues to be a very real global problem and Governments are increasingly aware of the importance of not wasting this vital resource. A report from 2023 suggested that 'global fresh water demand will outstrip supply by 40% by 2030*'. This level of challenge underlines the importance of water conservation and solutions like Mottech's which can make a substantial difference - often able to save a farmer or a city up to 30% in water usage, while helping the farmer to grow more crops at a better level of quality.

**UN 2023 Water Conference*

*Distribution & Professional Consulting Services*

Operating under the MTI Summit Electronics brand ("**MTI Summit**"), this division exclusively represents approximately 40 international suppliers of radio frequency/microwave components and sells these products to Israeli customers. Expert knowledge of both the international suppliers and customers enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

2023 was a mixed year for MTI Summit, after nine years of delivering uninterrupted growth, revenues were flat compared to 2022 with operating profits behind last year due to losses in PSK resulting from two projects that were delayed. These were isolated incidents as reported at the time of the half-year results, and the Company's confidence in the prospects of PSK are unchanged. Reflecting this, PSK entered 2024 with a healthy orderbook and a good pipeline of future opportunities.

For MTI Summit and PSK, the increased defence spending by governments creates a strong market environment to operate in. This has already generated additional revenue from within Israel and will continue to do so, partially from the Israeli defence forces and partially from international markets via the Israeli systems houses. To this end, the division continues to complete a number of design wins for both existing and new customers, which will generate future sales.

**Outlook**

The conflict in Ukraine led directly to a significant increase in defence budgets. This increase in spend started to influence the 2023 results with 44% of the Group's sales being defence related (2022: 37%). The conflict in Israel which started on 7 October 2023 will no doubt further strengthen this trend.

Overall, MTI remains well positioned across all three divisions, with each division backed by strong macro trends underpinning their future prosperity. The first two months of 2024 have been in line with internal expectations and judging from the pipeline of potential opportunities, the Group is well placed, supported by a strong financial platform, to continue to seek to expand through a mix of acquisition-led and organic growth.

**Moni Borovitz**

**Chief Executive Officer**

# Our Board

**Zvi Borovitz** – Chairman of the Board

Zvi founded MTI in the early '70s together with his late wife Aya. He has more than 50 years of experience in the development and management of high tech companies. Zvi holds an MS in Electrical Engineering from the Polytechnic Institute of Brooklyn.

**Moshe (Moni) Borovitz** – Chief Executive,

Executive Director

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

**Dov Feiner** – General Manager of the Company's antenna division,

Executive Director

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

**Lihi Elimelech Bechor, Adv.-** Non Executive Director

Mrs. Elimelech Bechor is a senior legal professional with many years of experience, specializing in intellectual property including copyrights, patents, designs, trademarks and managing the IP portfolio of various companies. Until December 2020, Mrs. Elimelech-Bechor served as an external director of Malibu Investments Inc. (a real estate company listed on the Tel Aviv Stock Exchange) with headquarters in Canada.

Mrs. Elimelech Bechor is expected to retire from the board on 20 March 2024.

**Michael Yehezkel Karo -** Non Executive Director

Michael Yehezkel Karo is a highly experienced program manager with a thorough technical background and strong proven leadership. He has worked for over 35 years in RAFAEL Advanced Defense Systems Ltd. in multiple positions including development, system engineering, integration and programme management. Mr. Karo holds an MBA in business administration from Haifa University.

**Luke Ahern** - Non Executive Director

Luke Ahern has worked in the financial services sector for over 25 years, principally in equity sales and investment research. Luke is currently the Head of Developed Markets Sales at Investec Bank Plc.  Prior to this he worked at Macquarie Capital (Europe), Blue Oar Securities and Seymour Pierce. He has a degree from Royal Holloway, University of London.

**David Yariv** - Non Executive Director

David Yariv started his career with the Israeli Naval Academy in 2000 and was a Naval officer from 2002 to 2006. In 2009 he began his engineering career at Elbit Systems and today he serves as Chief System Engineer at Israel Aerospace Industries (IAI). Mr Yariv holds a B.Sc in Electrical Engineering from the Tel-Aviv University, specializing in Computers, micro-waves and optics, and an MBA from Bar-Ilan University, specializing in finance.

# Corporate Governance

The following statement of corporate governance reflects the position of the Company as at 31 December 2023. The Company applies the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The Board is responsible for the Company's corporate governance policy, and recognizes the importance of high standards of integrity, and seeks to apply the principles set out in the QCA Code.

Details of how the Company addresses key principles in the QCA Code can be found on the Company's website - https://www.mtiwirelessedge.com/?CategoryID=458

## Strategy

Our strategy is focused around five key areas:

1. *Profitable sales growth*

   The key guideline in our business is to continue growth in revenue and profits. We are concentrating only on growing markets where we have advantages over our competition and are continuously looking to develop our products and services ahead of the market, to strengthen our position and grow revenue and profits.

2. *Introducing new products*

   We focus on securing blue chip customers that are seeking technology solutions through MTI's "first to develop" approach, using MTI's intellectual property and licensed technology from leading partners. As such, we aim to introduce new products to answer the demands of our markets. We invest in research and development and work closely with our customers and vendors to bring new products to the market. Some of this investment is performed in collaboration with our customers, as part of a project from which we can derive technology that can be applied in other areas.

   Our antenna segment brings both new products and new technologies to market. While new products are introduced several times a year, new technologies are introduced over wider periods of time. These new technologies are applied towards new products over the years following such introduction. As an example, in 2017 we introduced a dual band technology, which led to new products in 2018 which have led the growth in the antenna division since 2021 and are expected to continue to be a growing part of the business. This was followed by the development of the ABS® antenna solutions which we started developing in 2022. We have received numerous ABS® customization orders which we believe should be part of the growth areas for our antenna division over the coming years as part of the expanding 5G cellular backhaul market.

   In the Water Control & Management division, we work closely with Motorola to develop new hardware, while we develop software and other peripherals in parallel. We bring solutions and applications to the market more frequently than hardware, in order to satisfy the market's demands and keep our edge over competitors. In the past years we have started to develop some 'add on' hardware solutions to increase our product offering to customers and we believe that widening the portfolio offering is key to the continued growth of this segment.

In the Distribution & Professional Consulting Services division's representation business, we use our vendors' new technology and development capabilities as a foundation to introduce new products and in parallel we continuously search for new vendors or solutions to bring to the market.

3. *Supporting our existing brands*

As leaders in the market, our goal is to continue to support our existing brands and strengthen our relationship with the key participants in our markets and our existing customers, while introducing solutions to new markets and customers. Some of the markets that we work in are very conservative and being able to support a brand for decades is essential. This means that our ability to continue to develop new, more advanced solutions while supporting legacy solutions on the same platform is a key capability. In order to continue to support our brands, we invest in sales and marketing, customer service, pre and post sales support, as well as in technology.

4. *Enhancing our operational capabilities*

As a global provider of various technology solutions, we continue to work on improving our operational capabilities, by outsourcing most of our production, whilst performing final assembly and testing in house, in order to provide assurance of the quality of the product that we provide. While production is sourced worldwide, the assembly is performed in several continents, which allows us to improve our support to customers, while improving our profitability. This is a key focus for the Group, as we believe that the profits on marginal sales should be greater than average, which should lead to overall profits growing faster than revenue growth. In order to meet these goals, we continually search for new operational solutions. Some of these can include technological improvements or merging similar processes and activities over the different segments of our business.

5. *Strategic acquisitions*

Our Group has completed several successful acquisitions in the past years which has helped strengthen the Company and its position in the market. We believe that we should use our strong balance sheet to continue to grow the business by performing more acquisitions, while also pushing our internal growth engines.

Our key criteria for acquisitions include ascertaining that any acquisition will be complementary to our existing business segments and that synergies will arise from it. We continuously dedicate time and effort to searching for acquisitions, but are very selective in this process, as we believe that it is critical to find suitable targets under the right terms.

## Directors

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

Pursuant to the provisions of the Israeli Companies Law, the Company has to nominate an independent director in addition to two external directors. Mr. Michael Yehezkel Karo was elected as independent director at a shareholders meeting on 14 March 2023.

Since Mrs. Lihi Elimelech Bechor is expected to retire from the board on 20 March 2024, the board has nominated Mrs. Hani Lerman as an external director, subject to the approval of shareholders at an extraordinary general meeting that will take place on 20 March 2024.

Mrs. Lerman has worked as a CFO for over 20 years, serving different companies in the hi-tech industry and in the investment sector. She is currently the CFO of Arkin Holdings, which offers a distinctive combination of practical industry knowledge, deep market outreach, significant investment experience and financial resources - managing its own financial portfolio and contributing to the R&D and growth of its holding companies. Prior to her work as a CFO, Mrs. Lerman was a manager at the department of professional service in KPMG, Israel. Mrs. Lerman has a master's degree in business administration from Tel Aviv University with a major in finance. The board considers Mrs. Lerman to be a director with financial expertise.

All of the directors have access to the advice and services of the Company Secretary and may, in furtherance of their duties, take independent legal and financial advice at the Company's expense. They also have access to the minutes of the Board, in which any concerns expressed by them regarding matters pertaining to the Company are recorded. All members of the Board are free to bring any matter to the attention of the Board, at any time.

## Performance of the board

During 2023 the Company reviewed the performance of the Board as a whole, to ensure that the members of the Board collectively function in an efficient and productive manner. When conducting this review, the Company used a self-assessment process to evaluate the performance of the Directors and the Board as a whole. The Company also evaluated the Board's committees to assess the committees on their roles and terms of reference and the effectiveness of communicating relevant information to the Board in a timely manner, and the overall effectiveness and efficiency of the committees in discharging their duties. There were no significant findings or recommendations from the 2023 review process. The 2023 review process used the same assessment processes as used for the previous review in 2021, from which there were no significant recommendations. As part of the above review process, the Board decided that such a review process should be repeated once every two years going forward.

Key issues in relation to the value of the Board members' contributions would be their contribution to the strategy planning of the Company, ongoing business development, legal expertise in the Company's areas of business and accounting, finance and economic specialties.

The Company currently considers any succession planning requirements at appropriate junctures on an ongoing basis and, after the above mentioned Board review process, the Directors believe that the Company has planned sufficiently for its succession planning needs in the medium-term.

All Board members are required to devote their time as needed by the Company. While there is no specific time requirement from the non-executive Board members, the Board is satisfied that during the year ended 31 December 2023 the non-executive Board members have devoted the amount of time that was needed (usually not more than several hours per month). As executive directors, Mr. Zvi Borovitz, Mr. Moshe Borovitz and Mr. Dov Feiner have greater time requirements, which are detailed in the Company's remuneration policy reapproved by the Company in 2022.

## Board meetings

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

Over the year ended 31 December 2023, in total the Board and its committees held 15 meetings. The table below shows the number of Board or committee meetings in which each of the directors could have participated (taking into consideration their membership of the committees and or their date of nomination to the Board) and their actual participation:

| Board member name | Total number of Board and/or committee meetings applicable | Total number of meetings attended |
|---|---|---|
| Zvi Borovitz | 8 | 8 |
| Dov Feiner | 8 | 8 |
| Moshe Borovitz | 8 | 8 |
| Luke Ahern | 15 | 15 |
| Lihi Elimelech Bechor | 15 | 15 |
| David Yariv | 8 | 6 |
| Michael Yehezkel Karo* | 10 | 9 |

*(*) Joined the board in March 2023*

## Committees

### Audit & Financial Statements Committees

The Audit committee and the Financial Statements committee are chaired by Mrs. Lihi Elimelech Bechor. The other members are Luke Ahern and Michael Yehezkel Karo. The external auditors, together with the Company's management, are invited to attend these meetings as and when required.

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

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

**Remuneration Committee**

The Remuneration committee is chaired by Lihi Elimelech Bechor. The other members are Luke Ahern and Michael Yehezkel Karo. In accordance with its terms of reference, the committee reviews the performance of the executive directors and key employees and makes recommendations to the Board and the shareholders of the Company, pursuant to Rule 20 of the Israeli Companies Law, on matters relating to their remuneration and terms of employment. Such remuneration usually includes both a fixed and variable compensation package, including share options and other equity incentives pursuant to any share option scheme or equity incentive scheme. The remuneration arrangements of the non-executive directors are determined by the Board as a whole and, in accordance with the Israeli Companies Law, approved at General Meetings of the Company's Shareholders where appropriate.

On 12 November 2012, Amendment No. 20 to the Israeli Companies Law was published (the "Amendment"). According to the Amendment, a public company is required to appoint a remuneration committee (its composition and manner of discussion shall be in accordance with the provisions of the Amendment), and adopt a policy regarding the conditions of service and employment of officers of the Company, in accordance with the recommendations of such remuneration committee, subject to the approval of the general meeting of the shareholders of the Company. In addition, the Amendment regulates the method of approval of the terms of service and employment of officers of public companies.

The Company established its three year policy in July 2013, after receiving the approval of its shareholders. This Policy was last renewed in March 2022 for another three year term.

## External Auditor

The external auditor of the Company is BDO Israel and in accordance with the Israeli Companies Law the audit committee of the board of directors makes recommendations to the board regarding the appointment and annual fee for the external auditor. The fee paid in 2023 was 330,000 NIS and includes the audit of all Israeli based companies, the consolidated report and support with filing reports with tax authorities in Israel. The

Group's international subsidiaries use local external auditors (which is paid for separately at the local level) which prepare the financial statements in accordance with IFRS and BDO in Israel communicates directly with these local auditors as part of the consolidation audit and the preparation of the consolidated financial reports.

## Relations with shareholders

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

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

## Internal controls

The Board as a whole, the audit and financial statements committee and the Company's internal auditor (further details of which can be found below) contribute towards the Company's framework for the identification, assessment and management of risk. The Board has overall responsibility both for the Company's system of internal controls, which includes internal financial controls, and for reviewing their effectiveness. Through its involvement in the Company's risk management procedures, the Board is satisfied that the Company's framework for the identification, assessment and management of risk is effective, although the directors recognize that no system of internal control can provide absolute assurance. The Company's systems are designed to manage the risk of failure to achieve business objectives and therefore can only provide the directors with reasonable assurance against material misstatement or loss. The key elements of the Company's internal control system, which have been operational since the Company's flotation on AIM in March 2006, are as follows:

**Management Structure**

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

**Monitoring Systems used by the Board**

The Board receives regular reports on the financial and business performance of the Company. The Board is regularly advised through these reports on the financial performance relative to the Company's approved budget and updates on the orderbook and pipeline status.

**Internal Audit**

The Board has, in accordance with the Israeli Companies Law, appointed Mr. Eyal Weitzman as its internal auditor. In 2022, the internal auditor and the Audit committee decided to conduct a risk assessment, which is a systematic process of evaluating the various areas in the Company in order to identify those areas with high risk and the greatest exposure, on which the Internal Audit will focus. The outcome of the assessment was presented to the audit committee members in November 2022 and an audit plan for 2023 – 2024 was approved based on it. Due to the war in Israel from October 2023, most of the internal auditor's employees were called to service and the work of the internal audit team was put on hold and will resume in Q2 2024, with the aim of concluding at least two tasks (out of a total of three that were planned in total for 2023-2024) in 2024.

**Going Concern**

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

**Compliance Statement**

Corporate Governance procedures are subject to regular review by the Board. Details of how the Company addresses key principles in the QCA Code can be found on the Company's website.

# Report on Directors' Remuneration

## Remuneration Committee

The Remuneration Committee was responsible for managing the executive remuneration process and defining the new remuneration policy adopted by the Company pursuant to the Board's and shareholder's approval on 9 March 2022, as required by the Israeli Companies Law. Following such approval the remuneration committee is responsible for overseeing the remuneration process and making changes, if any, in the remuneration of each of the executive directors of the Company within the boundaries of the approved policy.

## Policy on Company remuneration

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

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

## Policy on senior executive remuneration

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

## 2023 Directors' remuneration – all figures represent annual costs to the Company

| Name | Basic Salary / Management Fee (US$000s) | Pension Contribution (US$000s) | Non Cash benefits (US$000s) | Bonuses (US$000s) | Total remuneration (US$000s) | Options granted *** | Shares held by each Director |
|---|---|---|---|---|---|---|---|
| Dov Feiner | 303 | 33 | 20 | 53 | 409 | 100,000 | 3,528,265 |
| Moshe Borovitz* | 309 | - | 23 | 94 | 426 | 600,000 | 371,254 |
| Zvi Borovitz* | 234 | - | 39 | 94 | 367 | - | 1,146,429 |
| Non-Executive Directors** | 72** | - | - | - | 72** | - | |

(*) Each of Zvi and Moshe Borovitz also has an interest in 25% of Mokirei Aya Ltd. which controlled 30.12% of the issued share capital of the Company, as of 31 December 2023.

Zvi and Moshe Borovitz provide management services to the Company through a company controlled by them (the "Management Company"). These management services consisted of the services of Mr. Zvi Borovitz who serves as an executive chairman of the Company and Mr. Moshe Borovitz who serves as the CEO of the Company. Therefore, their management fee includes all benefits required by law including a pension contribution.

(**) Remuneration for Mrs. Lihi Elimelech Bechor, Mr. Luke Ahern, Mr. David Yariv and Mr. Michael Yehezkel Karo (together with Mr. Amnon Sofrin whom he replaced) - each non-executive director is entitled to US$18,000 per annum plus expenses. Mrs. Lihi Elimelech Bechor, Mr. Luke Ahern and Mr. David Yariv served on the Board for the entire of the year ended 31

December 2023 and were each paid US$18,000 for the year. Mr. Amnon Sofrin retired from the Board on 14 March 2023 and was paid US$3,600 for the period of the year over which he served on the Board, Mr. Michael Yehezkel Karo was appointed to the Board on 14 March 2023 and was paid US$14,400 for his service for the remainder of the year.

(***) See note below for information on the options terms.

## Grant of options

In accordance with the Company's remuneration policy, which was announced on 17 January 2022 and approved by shareholders in March 2022, the Company's remuneration committee and board of directors (the "Board") approved an option plan for the Company's employees (the "Option Plan") on 20 November 2023.

The Option Plan includes the authority to grant 2,000,000 share options (being 2.2% of the Company's issued share capital on fully diluted basis) to employees and executive directors of the Company.

Grants of share options made under the Option Plan have the following terms:

1. each option can be exercised into one ordinary share of the Company (the "Ordinary Shares") at a price of 40 pence, being 25% above the Company's share price at the date preceding the announcement of the Option Plan in November 2023; and
2. the vesting of the options will be: 50% after two years; 25% after three years; and 25% after four years, with expiration of the options being six years after issue.

The Company's remuneration policy requires that the grant of share options to directors, the Chairman of the Board and controlling shareholders (and their relatives) requires the approval of shareholders at a general meeting of shareholders.

Therefore, on 5 January 2024 an extra ordinary shareholders meeting approved the grant of the following share options, on the terms stated above:

1. 600,000 share options to Mr. Moshe (Moni) Borovitz, the Company's CEO; and
2. 100,000 share options to Mr. Dov Feiner, the general manager of the Company's Antenna division

Both Mr. Borovitz and Mr. Feiner are directors of the Company.

## Service contracts

The Company has a service agreement with the Management Company, as described above, in respect of the services of Messrs Zvi and Moshe Borovitz. The term of this agreement was approved by shareholders and is for a period of three years starting from 1 March 2022.

Dov Feiner has a service contract with the Company with a notice provision in excess of three months. According to a recent regulation in the Israeli Companies Law, the change in remuneration policy for a Board member of the Company is required to be brought to the approval of the shareholders after a long-term strategy is proposed by the remuneration committee. This was approved on 9 March 2022.

The two non-executive external directors are each entitled to a fee of US$18,000 per annum, paid quarterly. According to the Israeli Companies Law, non-executive independent directors (defined as external directors in the Israeli Companies Law) are elected for three year terms and are allowed to be elected for a maximum of three terms (a total of nine years). Mrs. Lihi Elimelech Bechor was appointed for her third term on 19 April 2021 and Mr. Luke Ahern was appointed for his first term on 9 March 2022.

Mr. Michael Yehezkel Karo and Mr. David Yariv, the two other non-executive directors, are each entitled to US$18,000 per annum, paid quarterly, similar to the external directors.

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

# Financial Statements

**M.T.I WIRELESS EDGE LTD.**

Annual Report and Financial Statements

Year Ended

December 31, 2023

# M.T.I WIRELESS EDGE LTD.

## (An Israeli Corporation)

## CONSOLIDATED FINANCIAL STATEMENTS

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# Independent Auditors' Report to Shareholders of
# M.T.I Wireless Edge Ltd.

We have audited the accompanying consolidated statements of financial position of M.T.I Wireless Edge Ltd and its subsidiaries (hereafter the "Company"), as of December 31, 2023 and 2022 and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 14% and 8% of total consolidated assets as of December 31, 2023 and 2022 respectively, and whose revenues included in consolidation constitute approximately 13% and 14% of total consolidated revenues for the years ended on those dates, respectively. The financial statements of those subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to financial information included for these companies, is based on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and the results of their operations, changes in equity and their cash flows for each of the years then ended in conformity with International Financial Reporting Standards (IFRS).

**Key Audit Matter**

The key audit matter below was communicated or required to be communicated to the audit committee and in our professional judgment, was of most significance in our audit of the financial report of the current period, and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved us especially challenging, subjective or complex judgments. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Inventories**

At December 31, 2023, the Company had USD 7,484 thousands of Inventories.

The cost of inventories is based on the first-in, first-out method. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Also, inventories are valued at the lower of cost and net realisable value, where net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The quantity of inventories is based on a perpetual inventory computerized system as well as on physical counts to verify the actual quantity. Inventories are held at company sites, and the Company is required to maintain protocols to ensure its integrity.

A change in inventory quantity may have a material impact on the Company's financial statements. Considering the above, examining the existence and valuation of the inventories is significant in our audit and required our knowledge and experience, therefore, based on our professional judgment, we have determined that existence and valuation of inventories is a key audit matter.

**How We Addressed the Matter in Our Audit**

The main procedures we performed in connection with this key matter as part of our audit are:

we obtained an understanding of the key controls associated with the inventory process, we assessed the design and implementation of key controls relevant to the existence and valuation of inventories.

We performed substantive procedures which included:

1. Selected a sample of inventories items and compared the quantities we counted to the quantities recorded.
2. Observed management’s inventory count procedures to assess compliance with the Company's policy.
3. Checking the cost of a sample of inventories.
4. Checking the first-in, first-out method calculation of a sample of inventories.
5. Reviewing Company policy regarding inventory impairment and verifying that this policy is reasonable and consistent.

Tel-Aviv, Israel March 10, 2024

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

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Comprehensive Income**

| | Note | For the year ended December 31, 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Revenues | 4, 6 | 45,634 | 46,270 |
| Cost of sales | | 30,963 | 31,680 |
| **Gross profit** | | 14,671 | 14,590 |
| Research and development expenses | | 1,047 | 1,077 |
| Distribution expenses | | 3,709 | 3,924 |
| General and administrative expenses | | 5,278 | 4,998 |
| Profit from sale of property, plant and equipment | | 13 | 1 |
| **Profit from operations** | 5 | 4,650 | 4,592 |
| Finance expense | 7 | 342 | 385 |
| Finance income | 7 | (527) | (110) |
| **Profit before income tax** | | 4,835 | 4,317 |
| Tax expenses | 8 | 759 | 468 |
| **Profit** | | 4,076 | 3,849 |
| Other comprehensive income (loss) net of tax: | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Remeasurements on defined benefit plans | | 62 | 127 |
| *Items that may be reclassified to profit or loss:* | | | |
| Adjustment arising from translation of financial statements of foreign operations | | (216) | (422) |
| Total other comprehensive (loss) | | (154) | (295) |
| **Total comprehensive income** | | 3,922 | 3,554 |
| **Profit attributable to:** | | | |
| Owners of the parent | | 4,045 | 3,721 |
| Non-controlling interest | | 31 | 128 |
| | | 4,076 | 3,849 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 3,891 | 3,426 |
| Non-controlling interest | | 31 | 128 |
| | | 3,922 | 3,554 |
| **Earnings per share** | | | |
| Basic and Diluted (dollars per share) | 9 | 0.0458 | 0.0421 |

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

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Changes in Equity**

**For the year ended December 31, 2023:**

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** | **Additional paid-in capital** | **Translation differences** | **Retained earnings** | **Total attributable to owners of the parent** | **Non-controlling interests** | **Total equity** |
| | U.S. $ in thousands | | | | | | |
| **Balance as at January 1, 2023** | 209 | 23,078 | (250) | 3,775 | 26,812 | 1,226 | 28,038 |
| **Changes during 2023:** | | | | | | | |
| **Comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | 4,045 | 4,045 | 31 | 4,076 |
| **Other comprehensive income (loss)** | | | | | | | |
| Re measurements on defined benefit plans | - | - | - | 62 | 62 | - | 62 |
| Translation differences | - | - | (216) | - | (216) | - | (216) |
| **Total comprehensive income (loss) for the year** | - | - | (216) | 4,107 | 3,891 | 31 | 3,922 |
| Dividend | - | - | - | (2,656) | (2,656) | - | (2,656) |
| Acquisition of minority holdings in subsidiary | - | - | - | - | - | (35) | (35) |
| Acquisition and disposal, net of treasury shares (note 23) | * | (17) | - | - | (17) | - | (17) |
| **Balance as at December 31, 2023** | 209 | 23,061 | (466) | 5,226 | 28,030 | 1,222 | 29,252 |

(*) Less than US$ 1 thousand

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

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Changes in Equity (Cont.)**

**For the year ended December 31, 2022:**

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Additional paid-in capital | Translation differences | Retained earnings | Total attributable to owners of the parent | Non-controlling interests | Total equity |
| | U.S. $ in thousands | | | | | | |
| **Balance as at January 1, 2022** | 209 | 23,126 | 172 | 2,406 | 25,913 | 1,098 | 27,011 |
| **Changes during 2022:** | | | | | | | |
| **Comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | 3,721 | 3,721 | 128 | 3,849 |
| **Other comprehensive income (loss)** | | | | | | | |
| Re measurements on defined benefit plans | - | - | - | 127 | 127 | - | 127 |
| Translation differences | - | - | (422) | - | (422) | - | (422) |
| **Total comprehensive income (loss) for the year** | - | - | (422) | 3,848 | 3,426 | 128 | 3,554 |
| Dividend | - | - | - | (2,479) | (2,479) | - | (2,479) |
| Acquisition and disposal, net of treasury shares (note 23) | - | (48) | - | - | (48) | - | (48) |
| **Balance as at December 31, 2022** | 209 | 23,078 | (250) | 3,775 | 26,812 | 1,226 | 28,038 |

**The accompanying notes form an integral part of the financial statements.**

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Financial Position**

| | Note | As at December 31, 2023 $'000 | As at December 31, 2023 $'000 | As at December 31, 2022 $'000 | As at December 31, 2022 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets :** | | | | | |
| Property, plant and equipment | 11 | 5,398 | | 5,573 | |
| Customer relations | 12 | 1,439 | | 1,597 | |
| Goodwill | 12 | 2,068 | | 2,261 | |
| Deferred tax assets | 13 | 968 | | 1,163 | |
| Long-term prepaid expenses | | 37 | | 39 | |
| **Total non-current assets** | | | 9,910 | | 10,633 |
| **Current assets:** | | | | | |
| Inventories | 14 | 7,484 | | 7,757 | |
| Current tax receivables | | 381 | | 549 | |
| Unbilled revenue | 15 | 4,190 | | 2,204 | |
| Trade and other receivables | 15 | 14,284 | | 11,035 | |
| Cash and cash equivalents | 16 | 8,454 | | 8,279 | |
| **Total current assets** | | | 34,793 | | 29,824 |
| **TOTAL ASSETS** | | | 44,703 | | 40,457 |
| **LIABILITIES** | | | | | |
| **Non-curent liabilities :** | | | | | |
| Contingent consideration and Put option liability | 3 | 1,117 | | 1,432 | |
| Lease liabilities | 11 | 514 | | 303 | |
| Loans from banks, net of current maturities | 17 | 64 | | 98 | |
| Employee benefits, net | 18 | 719 | | 752 | |
| **Total non-current liabilities** | | | 2,414 | | 2,585 |
| **Current Liabilities:** | | | | | |
| Current tax payables | | 283 | | 425 | |
| Trade and other payables | 19 | 12,440 | | 9,366 | |
| Current maturities and short-term bank credit | 20 | 314 | | 43 | |
| **Total current liabilities** | | | 13,037 | | 9,834 |
| **Total liabilities** | | | 15,451 | | 12,419 |
| **TOTAL NET ASSETS** | | | 29,252 | | 28,038 |

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

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Financial Position (Cont.)**

| | | As at December 31, | | As at December 31, | |
|---|---|---|---|---|---|
| | | **2023** | **2023** | **2022** | **2022** |
| | **Note** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Capital and reserves attributable to owners of the parent** | 23 | | | | |
| Share capital | | 209 | | 209 | |
| Additional paid-in capital | | 23,061 | | 23,078 | |
| Translation differences | | (466) | | (250) | |
| Retained earnings | | 5,226 | | 3,775 | |
| | | | 28,030 | | 26,812 |
| **Non-controlling interests** | | | 1,222 | | 1,226 |
| **TOTAL EQUITY** | | | 29,252 | | 28,038 |

The financial statements on pages 4 to 40 were approved by the Board of Directors and authorised for issue on March 10, 2024, and were signed on its behalf by:

| March 10, 2024 | | | |
|---|---|---|---|
| Date of approval of financial statements | Moshe Borovitz<br>Chief Executive Officer | Elhanan Zeira<br>Controller | Zvi Borovitz<br>Chairman of the Board |

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

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Cash Flows**

| | For the year ended December 31, | | For the year ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2023 | 2022 | 2022 |
| | $'000 | $'000 | $'000 | $'000 |
| **Operating Activities:** | | | | |
| Profit for the year | 4,076 | | 3,849 | |
| Adjustments for: | | | | |
| Depreciation and amortization | 1,511 | | 1,466 | |
| Loss (Gain) on disposal of property, plant and equipment | (13) | | (1) | |
| Changes in Contingent consideration and Put option liability | (315) | | - | |
| Finance Income, net | (5) | | (82) | |
| Income tax expense | 759 | | 468 | |
| | | 6,013 | | 5,700 |
| **Changes in working capital and provisions** | | | | |
| Decrease (increase) in inventories | 158 | | (951) | |
| (Increase) in trade receivables | (2,477) | | (63) | |
| (Increase) decrease in unbilled revenues | (1,986) | | 590 | |
| (Increase) in other accounts receivables | (897) | | (1,134) | |
| Increase in trade and other accounts payables | 3,228 | | 572 | |
| Increase (Decrease) in employee benefits, net | 29 | | (93) | |
| | | (1,945) | | (1,079) |
| Interest received | 69 | | - | |
| Interest paid | (59) | | (52) | |
| Income tax paid | (540) | | (978) | |
| | | (530) | | (1,030) |
| **Net cash provided by operating activities** | | 3,538 | | 3,591 |

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

**M.T.I Wireless Edge Ltd.**

**Consolidated Statements of Cash Flows (Cont.)**

| | For the year ended December 31, | | For the year ended December 31, | |
|---|---|---|---|---|
| | 2023 | 2023 | 2022 | 2022 |
| | $'000 | $'000 | $'000 | $'000 |
| **Investing Activities:** | | | | |
| Proceeds from sale of property, plant and equipment | 62 | | 15 | |
| Acquisition of subsidiary, net of cash acquired | - | | (1,427) | |
| Net cash from sale of previously consolidated subsidiaries | - | | (2,785) | |
| Purchase of property, plant and equipment | (426) | | (552) | |
| **Net cash used in investing activities** | | (364) | | (4,749) |
| **Financing Activities:** | | | | |
| Dividend | (2,656) | | (2,479) | |
| Payments of lease liabilities | (485) | | (560) | |
| Treasury shares acquired | (516) | | (118) | |
| Treasury shares sold | 499 | | 70 | |
| Acquisition of the non-controlling interest in subsidiary | (35) | | - | |
| Repayment of long-term loans from banks | (247) | | (39) | |
| Receipt of loans from banks | 460 | | 157 | |
| **Net cash used in financing activities** | | (2,980) | | (2,969) |
| **Increase (Decrease) in cash and cash equivalents** | | 194 | | (4,127) |
| **Cash and cash equivalents at the beginning of the year** | | 8,279 | | 12,567 |
| Exchange differences on balances of cash and cash equivalents | | (19) | | (161) |
| **Cash and cash equivalents at the end of the year** | | 8,454 | | 8,279 |

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

## 1. General description of the Group and its operations

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

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

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

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

## 2. Accounting policies

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

*A.* *Basis of preparation*

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

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

*B.* *Estimates and assumptions*

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

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

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

**2. Accounting policies (Cont.)**

*C.* *Revenue recognition*

*Revenue from contracts with customers*

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

1. Revenues from Construction Contracts are recognized based on the percentage of completion to date. The percentage of completion is determined using the inputs method

   The Company elected not to adjust the transaction price for the effects of financing components in contracts where the period between when the Company transfers a promised good or a service to the customer and when the customer pays for it is one year or less.
2. Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the equipment.

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

*D.* *Functional currency and Foreign currency transactions*

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

*E.* *Property, plant and equipment*

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

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

*F.* *Provision for warranty*

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

*G.* *Employee benefits*

**1. Short-term employee benefits:** Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered.

**2. Accounting policies (Cont.)**

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

The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law since 2004 under which the Group pays fixed contributions to a specific fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution. The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal, retirement and several other events prescribed by that Law. The liability for post employment benefits is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on high quality corporate bonds with a term that matches the estimated term of the benefit plan.

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

*H. Segment reporting*

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

**3. Acquisition of subsidiary:**

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

The initial consideration paid by MTI, to acquire 51% of the equity in PSK, comprised: a) the purchase of existing shares in PSK for NIS 700,000 (approximately US$225,000); and b) a subscription of NIS 3,000,000 (approximately US$ 972,000) for new shares in PSK. In addition, there is an earn out mechanism under which further consideration may be payable, as described in the contingent consideration section below (the "Earn Out"). MTI Summit's loan

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

to PSK of NIS 2,500,000 (approximately US$800,000) is a term loan which is to be repaid on 1 January 2024 ("Original Loan"). The Original Loan is not convertible and bears interest of 3.26% per annum.

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

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

*Acquisition cost of PSK at the date of Acquisition:*

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

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

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

The results of PSK were consolidated into the financial statements of the Group from the beginning of 2022.

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

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

The goodwill arising on Acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and PSK. The goodwill recognized is not expected to be deductible for income tax purposes. All transaction costs have been recorded in General and administrative expenses.

*Contingent consideration:*

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

*Put Option liability:*

MTI Summit has an option to purchase and the vendors of PSK have an option to sell to MTI Summit the remaining 49% of PSK (the "Option") starting from 2027. The value of PSK under the Option is to be calculated on the basis of eight times the average EBITDA level of PSK in 2025 and 2026, with MTI being required to pay 49% of this value upon exercise. If the Option is to be exercised at any time after the preparation of PSK's financial results for the first quarter of 2027, the calculation will be based on PSK's average EBITDA for the last eight quarters. The Option will remain in place until exercised.

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

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

Discount rate: 15.5%

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

At the end of 2023, MTI Summit and the Original Owners of 49% of PSK signed an amendment to PSK's share purchase agreement according to which:

a. On 1 January 2024, MTI Summit granted a new loan to PSK (the "New Loan") totalling NIS 2,260,000 (approximately US$625,000), replacing the Original Loan. This New Loan bears interest equal to the interest that PSK pays for short term credit in the bank minus 2% (currently the interest of the New Loan is 6.9% per annum). The obligations on PSK to secure the repayment of the New Loan remain unchanged compared to the Original Loan.
b. The Company will provide PSK with guaranties in order for PSK to receive bank guaranties in favour of customers, related to projects performed by PSK, with the costs of such guarantees to be borne by PSK.

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

c. The value of PSK under the Option is to be calculated on the basis of six (rather than eight in the original agreement) times the average EBITDA level of PSK in 2025 and 2026. All other terms of the option shall remain unchanged.

In December 2023, the Group performed its annual impairment test of the cash generating unit (PSK) based on a 'value in use' calculation, using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 23%. The projected cash flows for the period exceeding five years were estimated using a fixed growth rate of 2%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognized an impairment charge of USD 193 thousand in the current year against goodwill. This charge is included in General administrative expenses.

The Company revalued the Contingent consideration and the Put option liabilities of PSK, as stated in the balance sheet on 31 December 2023, resulting in financial income of USD 315 thousand.

## 4. Revenues

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| **Revenues arises from:** | **$'000** | **$'000** |
| Sale of goods * | 32,525 | 34,618 |
| Rendering of services ** | 7,178 | 8,334 |
| Projects ** | 5,931 | 3,318 |
| | 45,634 | 46,270 |

(*) at a point in time
(**) over time

## 5. Profit from operations

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| This has been arrived at after charging**:** | **$'000** | **$'000** |
| Material and subcontractors | 21,993 | 22,424 |
| Wages and salaries | 13,498 | 14,150 |
| Plant, Machinery and Usage | 1,557 | 1,628 |
| Depreciation and amortization | 1,511 | 1,466 |
| Travel and Exhibition | 336 | 326 |
| Advertising and Commissions | 710 | 748 |
| Consultants | 505 | 478 |
| Others | 874 | 458 |
| | 40,984 | 41,678 |

## 6. Operating segments

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

- Development, design, manufacture and marketing of antennas for the military and civilian sectors.
- A leading provider of remote control solutions for water and irrigation applications based on Motorola's IRRInet state of the art control, monitoring and communication technologies.
- Providing consulting, representation and marketing services to foreign companies in the field of RF and Microwave, including engineering services in the field of aerostat systems and system engineering services together with the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

1. Segment information

**Year ended December 31, 2023**

| | Antennas | Water Solutions | Distribution & Consultation | Eliminations | Total |
|---|---|---|---|---|---|
| | U.S. $ in thousands | | | | |
| *Revenues* | | | | | |
| External | 12,237 | 17,164 | 16,233 | - | 45,634 |
| Inter-segment | - | - | 344 | (344) | - |
| *Total* | 12,237 | 17,164 | 16,577 | (344) | 45,634 |
| *Segment profit* | 841 | 1,986 | 1,552 | 271 | 4,650 |
| Finance income, net | | | | | (185) |
| Profit before tax | | | | | 4,835 |
| Tax expenses | | | | | 759 |
| Profit | | | | | 4,076 |

**December 31, 2023**

| | Antennas | Water Solutions | Distribution & Consultation | Eliminations | Total |
|---|---|---|---|---|---|
| | U.S. $ in thousands | | | | |
| *Segment assets* | 17,124 | 12,468 | 12,711 | - | 42,303 |
| *Unallocated assets* | | | | | 2,400 |
| *Segment liabilities* | 4,952 | 4,326 | 5,293 | - | 14,571 |
| *Unallocated liabilities* | | | | | 880 |

## 6. Operating Segments (cont.)

**Year ended December 31, 2022**

| | Antennas | Water Solutions | Distribution & Consultation | Eliminations | Total |
|---|---|---|---|---|---|
| | | | U.S. $ in thousands | | |
| *Revenues* | | | | | |
| External | 11,627 | 18,196 | 16,447 | - | 46,270 |
| Inter-segment | - | - | 215 | (215) | - |
| *Total* | 11,627 | 18,196 | 16,662 | (215) | 46,270 |
| *Segment profit* | 337 | 1,838 | 2,321 | 96 | 4,592 |
| Finance expense, net | | | | | 275 |
| Profit before tax | | | | | 4,317 |
| Tax expenses | | | | | 468 |
| Profit | | | | | 3,849 |

**December 31, 2022**

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

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

| | For the year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Israel | 28,750 | 29,008 |
| America | 4,824 | 6,489 |
| Europe Middle East & Africa | 7,503 | 6,018 |
| Asia Pacific | 4,557 | 4,755 |
| | 45,634 | 46,270 |

3. Additional information about revenues:

There is one single customer from which revenues amount to 13.6% in 2023 (10% in 2022) of total revenues reported in the financial statements. This is a customer for the antenna and distribution & special consulting services divisions and the credit terms with it are usually end of month + 90 days.

## 7. Finance expense and income

| | For the year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| *Finance expense* | | |
| Net Foreign exchange loss | - | 108 |
| Leases | 32 | 52 |
| Interest and bank fees | 315 | 225 |
| | 342 | 385 |
| *Finance income* | | |
| Net Foreign exchange profit | 35 | - |
| Change in contingent consideration and Put Option liability | 315 | - |
| Interest from bank deposits | 177 | 110 |
| | 527 | 110 |
| | (185) | 275 |

## 8. Tax expenses

A. *Tax Laws in Israel*

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

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

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

   On 15 November 2021 an amendment to the Encouragement Law was approved (the "2021 Amendment"). According to the 2021 Amendment companies that had retained earnings from exempt income earned before 31 December 2020 can distribute those earnings with a lower tax rate of 10% to the Company and withholding tax of 15% to the shareholders.

2. Tax rates:

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

   - Decreasing the corporate tax rate to 24% in 2017 and to 23% in 2018 and thereafter (instead of 25%).
   - Commencing tax year 2017 and thereafter the tax rate on the income of preferred enterprises of a qualifying Company in Development Zone A as stated in the Encouragement of Capital Investment

**8. Tax expenses (cont.)**

Law, shall decrease to 7.5% (instead of 9%) and for companies located in zones other than Zone A the rate shall remain 16%.

- In addition, the tax rate on dividends distributed on January 1, 2014 and thereafter originating from preferred income under the Encouragement Law will be raised to 20% (instead of 15%).

Therefore the Company's applicable corporate tax rate for 2014 and thereafter is 16%.

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

A company incorporated in India - The statutory tax rate is 28% and the Company was in an exempt zone until end of March 2013 and further in a 50% tax exempt zone until end of March 2018. Nevertheless from the Tax Year 2011-12, in the absence of taxable income or tax due on taxable income (calculated as per normal rates) being less than 18.5% of the Accounting Book Profits during a particular year, the Indian regulation states that the company has to pay a Minimum Alternate tax at a rate of 18.5% of the Accounting Book Profits for that year. Such excess Minimum Alternate Tax paid on book profits over the Tax due on Actual Taxable Income (calculated as per normal rates) of each year is capable of set off against the taxable profits of future years.

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

A company incorporated in South Africa - the statutory tax rate is 27% (2022: 28%)

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

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

A Company incorporated in Canada – the statutory tax rate is 25%.

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

*C. Income tax assessments*

The Company has tax assessments considered as final up to and including the year 2018.

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2023** | **2023** | **2022** | **2022** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| *Current tax expense* | | | | |
| Income tax on profits for the year | 768 | | 846 | |
| Taxes in respect of previous years | (204) | | (209) | |
| | | 564 | | 637 |
| *Deferred tax expenses (income)* (see note 13) | | | | |
| Origination and reversal of temporary differences | 195 | | (169) | |
| | | 195 | | (169) |
| **Total tax expenses** | | 759 | | 468 |

## 8. Tax expenses (cont.)

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

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Profit before income tax | 4,835 | 4,317 |
| Tax using the Company's domestic tax rate of 16% | 773 | 691 |
| Non-deductible expenses | 53 | - |
| Taxes resulting from different tax rates applicable to foreign and other subsidiaries | 55 | 81 |
| Utilization of prior year's tax losses for which deferred taxes were not provided | (119) | (108) |
| Adjustments for current income tax of prior years | (204) | (209) |
| Other | 201 | 13 |
| Total income tax expense | 759 | 468 |

## 9. Earnings per share

Net earnings per share attributable to equity owners of the parent

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Net Earnings used in basic and diluted EPS | 4,045 | 3,721 |
| Weighted average number of shares used in basic and diluted EPS | 88,283,490 | 88,444,356 |
| basic and diluted net EPS (dollars) | 0.0458 | 0.0421 |

## 10. Dividends

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Dividend paid | 2,656 | 2,479 |

## 11. Property, plant and equipment

| | Building | Machinery & equipment | Office furniture & equipment | Computer equipment | Vehicles | Right of use asset | Total |
|---|---|---|---|---|---|---|---|
| | | | | $'000 | | | |
| ***Cost:*** | | | | | | | |
| Balance as of January 1, 2023 | 5,316 | 6,763 | 752 | 2,547 | 1,324 | 1,936 | 18,638 |
| Acquisitions | 10 | 94 | 18 | 135 | 169 | 643 | 1,069 |
| Disposals | - | - | - | - | (125) | (559) | (684) |
| Exchange differences | (6) | (2) | (2) | (4) | (15) | - | (29) |
| Balance as of December 31, 2023 | 5,320 | 6,855 | 768 | 2,678 | 1,353 | 2,020 | 18,994 |
| ***Accumulated Depreciation:*** | | | | | | | |
| Balance as of January 1, 2023 | 2,644 | 5,645 | 652 | 2,375 | 606 | 1,143 | 13,065 |
| Additions | 120 | 147 | 26 | 144 | 193 | 530 | 1,160 |
| Disposals | - | - | - | - | (76) | (547) | (623) |
| Exchange differences | - | (2) | - | (2) | (2) | - | (6) |
| Balance as of December 31, 2023 | 2,764 | 5,790 | 678 | 2,517 | 721 | 1,126 | 13,596 |
| **Net book value as of December 31, 2023** | 2,556 | 1,065 | 90 | 161 | 632 | 894 | 5,398 |

| **Lease liabilities** | **Year ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Interest expense | 32 | 43 |
| Total cash outflow for leases | 517 | 474 |
| Additions to right-of-use assets | 643 | 533 |

The Company has two types of lease agreements mainly for the (i) premises on lease at the Cochin Special Economic Zone (CSEZ) in India for 15 years and (ii) leases of cars in Israel for the use of its employees for up to three years.

| *December 31, 2023* | **Less than one year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **> 4 years** | **Total** |
|---|---|---|---|---|---|---|
| | | | **$'000** | | | |
| **Lease liabilities** | 366 | 132 | 57 | 11 | 314 | 880 |

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

## 11. Property, plant and equipment (cont.)

| | Building | Machinery & equipment | Office furniture & equipment | Computer equipment | Vehicles | Right of use asset | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | | | | | | |
| ***Cost:*** | | | | | | | |
| Balance as of January 1, 2022 | 5,216 | 6,570 | 701 | 2,428 | 1,157 | 1,695 | 17,767 |
| Initially consolidated company | 89 | 92 | 27 | | 48 | - | 256 |
| Acquisitions | 25 | 114 | 35 | 136 | 242 | 533 | 1,085 |
| Disposals | - | - | - | - | (27) | (292) | (319) |
| Exchange differences | (14) | (13) | (11) | (17) | (96) | - | (151) |
| Balance as of December 31, 2022 | 5,316 | 6,763 | 752 | 2,547 | 1,324 | 1,936 | 18,638 |
| ***Accumulated Depreciation:*** | | | | | | | |
| Balance as of January 1, 2022 | 2,524 | 5,456 | 633 | 2,296 | 446 | 863 | 12,218 |
| Additions | 122 | 198 | 24 | 88 | 197 | 572 | 1,201 |
| Disposals | - | - | - | - | (13) | (292) | (305) |
| Exchange differences | (2) | (9) | (5) | (9) | (24) | - | (49) |
| Balance as of December 31, 2022 | 2,644 | 5,645 | 652 | 2,375 | 606 | 1,143 | 13,065 |
| **Net book value as of December 31, 2022** | 2,672 | 1,118 | 100 | 172 | 718 | 793 | 5,573 |

## 12. Intangible assets

| | Goodwill from business combination | Customer relations * | Total |
|---|---|---|---|
| | $'000 | | |
| ***Cost:*** | | | |
| Balance as of December 31, 2023 | 3,488 | 2,425 | 5,913 |
| ***Accumulated Amortization and impairments:*** | | | |
| Balance as of January 1, 2023 | 1,227 | 828 | 2,055 |
| Amortization and impairments charge | 193 | 158 | 351 |
| Balance as of December 31, 2023 | 1,420 | 986 | 2,406 |
| **Net book value as of December 31, 2023** | 2,068 | 1,439 | 3,507 |

## 12. Intangible assets (cont.)

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

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

## 13. Deferred tax assets

Deferred tax asset is calculated on temporary differences under the liability method using the tax rates that are expected to apply to the period when the asset is realised.

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

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| *At January 1* | 1,163 | 994 |
| Charged to profit or loss | (195) | 169 |
| *At December 31* | 968 | 1,163 |

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

Composition:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | $'000 |
| Accrued severance pay | 103 | 96 |
| Other provisions and employee-related obligations | 113 | 110 |
| Research and development expenses deductible over 3 years | 147 | 143 |
| Carry forward tax losses | 922 | 1,156 |
| Customer relations – arising from acquisition of P.S.K | (317) | (342) |
| | 968 | 1,163 |

Deferred tax assets relating to carry forward capital losses of the Group total approximately $984 and $1,014 thousand as of 31 December, 2023 and 2022 respectively were not recognized in the financial statements because their utilization in the foreseeable future is not probable.

## 14. Inventories

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | $'000 |
| Raw materials and consumables | 5,638 | 5,621 |
| Work-in-progress | 56 | 173 |
| Finished goods and goods for sale | 1,790 | 1,963 |
| | 7,484 | 7,757 |

## 15. Trade receivables, other receivables and unbilled revenue

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | $'000 |
| Trade receivables | 12,124 | 9,735 |
| Unbilled revenue – Projects | 4,190 | 2,204 |
| Other receivables | 2,160 | 1,300 |
| | 18,474 | 13,239 |

**Trade receivables:**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | $'000 |
| Trade receivables (*) | 11,858 | 9,161 |
| Notes receivable | 353 | 666 |
| Allowance for expected credit losses | (87) | (92) |
| | 12,124 | 9,735 |

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

As at 31 December 2023 trade receivables of $320,000 (2022 – $328,000) were past due but not impaired. They relate to the customers with no default history.

**Unbilled revenue:**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | $'000 |
| Actual completion costs | 4,610 | 2,756 |
| Revenue recognised | 1,954 | 2,801 |
| Billed revenue | (2,374) | (3,353) |
| Total Unbilled receivables – Projects | 4,190 | 2,204 |

**Other receivables:**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | $'000 |
| Prepaid expenses | 1,056 | 644 |
| Advances to suppliers | 818 | 199 |
| Tax authorities – V.A.T | 106 | 206 |
| Employees | 180 | 251 |
| | 2,160 | 1,300 |

## 16. Cash and cash equivalents

| | 31.12.2023<br>$'000 | 31.12.2022<br>$'000 |
|---|---|---|
| In U.S. dollars | 4,236 | 3,224 |
| In other currencies | 4,218 | 5,055 |
| | 8,454 | 8,279 |

## 17. Loans from banks

| | 31.12.2023<br>$'000 | 31.12.2022<br>$'000 |
|---|---|---|
| NIS | 375 | 133 |
| South African Rand | 3 | 8 |
| Less - current maturities | (314) | (43) |
| | 64 | 98 |

All bank loans are for the purchase of cars and are secured by a fixed lien on the cars, aside from the use of a short term credit line by PSK.

Mottech South Africa has a loan agreement of approximately US$ 30 thousand for the purchase of cars for which the reminder will be paid in Q1 2024. The interest rate is linked to the South Africa prime lending rate.

During 2022 PSK had entered into a loan agreement of approximately US$ 133 thousand for the purchase of cars, which is payable over 36 - 48 months on a monthly basis. The interest rate is linked to the Prime interest rate.

| *At December 31 2023* | First year | Second year | Third year and thereafter |
|---|---|---|---|
| | | $'000 | |
| Long-term loan | 314 | 36 | 28 |

## 18. Employee benefits

### A. Composition:

| | As at December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Present value of the obligations | 1,757 | 1,660 |
| Fair value of plan assets | (1,038) | (908) |
| | 719 | 752 |

### B. Movement in plan assets:

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| *Year beginning* | 908 | 983 |
| Foreign exchange gain (loss) | 73 | (121) |
| Interest income | 33 | 22 |
| Contributions | 15 | 13 |
| Benefit paid | (9) | - |
| *Re measurements gain (loss)* | | |
| Actuarial gain (loss) from financial assumptions | (1) | 7 |
| Return on plan assets (excluding interest) | 19 | 4 |
| *Year end* | 1,038 | 908 |

### C. Movement in the liability for benefit obligation:

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| *Year beginning* | 1,660 | 1,851 |
| Initially consolidated company | - | 104 |
| Foreign exchange loss (profit) | 48 | (196) |
| Interest cost | 105 | 41 |
| Current service cost | 43 | 37 |
| Benefits paid | (48) | (58) |
| *Re measurements loss (gain)* | | |
| Actuarial gain from financial assumptions | (12) | (120) |
| Adjustments (experience) | (39) | 1 |
| *Year end* | 1,757 | 1,660 |

*Supplementary information*

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

**18. Employee benefits (cont.)**

2. The amounts funded displayed above include amounts deposited in severance pay funds with the addition of accrued income. According to the Severance Pay Law, the aforementioned amounts may not be withdrawn or mortgaged as long as the employer's obligations have not been fulfilled in compliance with Israeli law.
3. Principal nominal actuarial assumptions:

| | As at December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate on plan asset | 5.20% | 5.18% |
| Expected increase in pensionable salary | 2% | 2% |

4. Sensitivity test for changes in the expected rate of salary increase or in the discount rate of the plan assets and liability:

| | Change in defined benefit obligation | |
|---|---|---|
| | **As at December 31,** | |
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| The change as a result of: | | |
| Salary increases of 1 % | 37 | 54 |
| Salary decreases of 1 % | (34) | (48) |
| The change as a result of: | | |
| Increase of 1% in discount rate | (32) | (48) |
| Decrease of 1% in discount rate | 35 | 54 |

| | Year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Expenses in respect of defined contribution plans | 524 | 552 |

**19. Trade and other payables**

| | As at December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **$'000** | **$'000** |
| Trade payables | 7,882 | 5,739 |
| Employees' wages and other related liabilities | 1,816 | 1,675 |
| Advances from trade receivables | 1,004 | 348 |
| Accrued expenses | 848 | 909 |
| Government authorities | 171 | 209 |
| Lease liability | 366 | 449 |
| Others | 353 | 37 |
| | 12,440 | 9,366 |

## 20. Current maturities and short-term bank credit

| | Interest rate as at December 31, 2023 | As at December 31, 2023 | As at December 31, 2022 |
|---|---|---|---|
| | % | $'000 | $'000 |
| Current maturities In NIS | Prime + 0.9 – 2.2 | 311 | 38 |
| Current maturities In SA ZAR | 9.5 - 11 | 3 | 5 |
| Total Current maturities and short-term bank loans | | 314 | 43 |

### Changes in liabilities arising from financing activities

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows

| | Loans and borrowings | Lease liabilities | Total |
|---|---|---|---|
| | $'000 | | |
| **At 1 January 2023** | **141** | **752** | **893** |
| *Changes from financing cash flows:* | | | |
| Payments of lease liabilities | - | (485) | (485) |
| Receipt loans from banks | 460 | - | 460 |
| Repayment of long-term loans from banks | (247) | - | (247) |
| Total changes from financing cash flows | **354** | **267** | **621** |
| *Changes in fair value:* | | | |
| New leases | - | 643 | 643 |
| Interest expense | - | 32 | 32 |
| Interest paid | - | (32) | (32) |
| Total changes from financing cash flows | **354** | **910** | **1,264** |
| Effects of foreign exchange | 24 | (30) | (6) |
| **At 31 December 2023** | **378** | **880** | **1,258** |
| | | | |
| **At 1 January 2022** | **31** | **905** | **936** |
| *Changes from financing cash flows:* | | | |
| Payments of lease liabilities | - | (560) | (560) |
| Receipt of long-term loans from banks | 141 | - | 141 |
| Repayment of long-term loans from banks | (39) | - | (39) |
| Total changes from financing cash flows | **133** | **345** | **478** |
| *Changes in fair value:* | | | |
| New leases | - | 533 | 533 |
| Interest expense | - | 52 | 52 |
| Interest paid | - | (52) | (52) |
| Total changes from financing cash flows | **133** | **878** | **1,011** |
| Effects of foreign exchange | 8 | (126) | (118) |
| **At 31 December 2022** | **141** | **752** | **893** |

## 21. Financial instruments - Risk Management

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

- Foreign currency risk
- Liquidity risk
- Credit risk

*Foreign currency risk*

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

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

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

Management mitigates that risk by holding some cash and cash equivalents and deposit accounts in NIS. The Company also purchases from time to time some forward contracts on the NIS/$ exchange rate to hedge part of the salary costs. Since the purchase of Mottech the Group has an additional currency risk due to its subsidiaries' activity.

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

| | Profit (loss) from change | Book value | Profit (loss) from change |
|---|---|---|---|
| | December 31, 2023 | | |
| NIS exchange rate | 0.262 | 0.276 | 0.289 |
| **Total assets, net (**$'000) | 217 | 4,341 | (217) |
| | December 31, 2022 | | |
| NIS exchange rate | 0.27 | 0.284 | 0.298 |
| **Total assets, net (**$'000) | 280 | 5,617 | (280) |

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

## 21. Financial instruments - Risk Management (Cont.)

| | USD | NIS | Other currencies | Total |
|---|---|---|---|---|
| | $'000 | | | |
| | As of December 31, 2023 | | | |
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | 4,237 | 1,983 | 2,234 | 8,454 |
| Trade receivables | 7,222 | 8,513 | 579 | 16,314 |
| Other receivables | 151 | 1,850 | 159 | 2,160 |
| **Liabilities** | | | | |
| **current liabilities:** | | | | |
| Current maturities and short-term bank credit and loans | - | 311 | 3 | 314 |
| Trade payables | 2,486 | 4,502 | 894 | 7,882 |
| Other accounts payables | 194 | 3,128 | 870 | 4,192 |
| **non- current liabilities:** | | | | |
| Contingent consideration and Put option liability | - | 1,117 | - | 1,117 |
| Loans from banks, net of current maturities | - | 64 | - | 64 |
| **Total assets, net** | **8,930** | **3,224** | **1,205** | **13,359** |

| | USD | NIS | Other currencies | Total |
|---|---|---|---|---|
| | $'000 | | | |
| | As at December 31, 2022 | | | |
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | 3,224 | 3,083 | 1,972 | 8,279 |
| Trade receivables | 4,632 | 6,668 | 639 | 11,939 |
| Other receivables | 152 | 1,126 | 22 | 1,300 |
| **Liabilities** | | | | |
| **current liabilities:** | | | | |
| Current maturities and short-term bank credit and loans | - | 38 | 5 | 43 |
| Trade payables | 1,576 | 3,048 | 1,115 | 5,739 |
| Other accounts payables | 218 | 2,079 | 881 | 3,178 |
| **non- current liabilities:** | | | | |
| Loans from banks, net of current maturities | - | 95 | 3 | 98 |
| **Total assets, net** | **6,214** | **5,617** | **629** | **12,640** |

*Liquidity Risk*

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of insufficient liquidity means to fulfil its immediate obligations. The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has sufficient availability of cash, including the short-term investment of cash surpluses, and can raise loans to meet its obligations by cash management, subject to the Group’s policies and guidelines. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

## 21. Financial instruments - Risk Management (Cont.)

| *December 31, 2023* | **Less than one year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **> 4 years** | **Total** |
|---|---|---|---|---|---|---|
| | | | | **$'000** | | |
| Contingent consideration and Put option liability | - | 280 | - | - | 837 | 1,117 |
| Loans from banks | 314 | 36 | 28 | - | - | 378 |
| Trade payables | 7,882 | - | - | - | - | 7,882 |
| Payables | 4,558 | - | - | - | - | 4,558 |
| | 12,754 | 316 | 28 | - | 837 | 13,935 |

| *December 31, 2022* | **Less than one year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **> 4 years** | **Total** |
|---|---|---|---|---|---|---|
| | | | | **$'000** | | |
| Contingent consideration and Put option liability | - | - | 58 | - | 1,372 | 1,432 |
| Loans from banks | 43 | 41 | 38 | 19 | - | 141 |
| Trade payables | 5,739 | - | - | - | - | 5,739 |
| Payables | 3,627 | - | - | - | - | 3,627 |
| | 9,409 | 41 | 96 | 19 | 1,372 | 10,939 |

*Credit risks*

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

With respect to trade receivables, the Group believes that there is no material credit risk which is not mitigated in light of Group's policy to assess the credit risk of customers before entering contracts. Moreover, the Group evaluates trade receivables on a timely basis and adjusts the allowance for expected credit losses accordingly. Since January 2019 the Company has had an agreement with a credit insurance company to further mitigate this risk. The aging analysis of these trade-receivable balances by business segment is as follows:

| ***December 31, 2023*** | | | | **Past due trade receivables with aging of** | |
|---|---|---|---|---|---|
| | | | **$'000** | | |
| | **Revenues** | **Total trade receivables** | **Not past due** | **< 30 days** | **>30 days** |
| Antennas - other receivables | 12,237 | 7,906 | 7,759 | 140 | 7 |
| Water Solutions - other receivables | 17,164 | 3,229 | 3,131 | 54 | 44 |
| Distribution & Consultation - other receivables | 16,577 | 5,179 | 5,104 | 22 | 53 |
| Intercompany | (344) | - | - | - | - |
| **Total** | **45,634** | **16,314** | **15,994** | **216** | **104** |

### 21. Financial instruments - Risk Management (Cont.)

| *December 31, 2022* | | | | Past due trade receivables with aging of | |
|---|---|---|---|---|---|
| | | | $'000 | | |
| | **Revenues** | **Total trade receivables** | **Not past due** | **< 30 days** | **>30 days** |
| Antennas - other receivables | 11,627 | 5,570 | 5,394 | 175 | 1 |
| Water Solutions - other receivables | 18,196 | 3,645 | 3,567 | 54 | 24 |
| Distribution & Consultation - other receivables | 16,662 | 2,724 | 2,650 | 58 | 16 |
| Intercompany | (215) | - | - | - | - |
| **Total** | **46,270** | **11,939** | **11,611** | **287** | **41** |

*Fair value*

### A. Fair value of financial assets and liabilities:

| | Fair value measurements using input type $'000 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **As of December 31, 2023** | | | | |
| Contingent consideration liability (see note 3) | - | - | 280 | 280 |
| **As of December 31, 2022** | | | | |
| Contingent consideration liability (see note 3) | - | - | 56 | 56 |

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

| | **2023** |
|---|---|
| | **$'000** |
| Balance as of January 1 | 1,432 |
| Contingent consideration liability (see note 3) | - |
| Net loss (profit) recognized in Profit or loss | (315) |
| Balance as of December 31 | 1,117 |

### B. Financial instruments not measured at fair value:

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

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

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

**21. Financial instruments - Risk Management (Cont.)**

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $'000 | | | |
| Financial liabilities: | | | | |
| Long-term loan with interest (1) | 64 | 98 | 64 | 98 |

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

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

December 31, 2023:

| | NIS | Unlinked | S.A Rand | Total |
|---|---|---|---|---|
| | $'000 | | | |
| Financial liabilities measured at amortized cost | 311 | - | 3 | 314 |

December 31, 2022:

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

*Capital management*

The Group's objective is to maintain, as much as is possible, a stable capital structure. In the opinion of Group's management its current capital structure is stable. Consistent with others in the industry, the Group monitors capital, including others also, on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2023 and 2022 were as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | |
| Loans from banks | 103 | 141 |
| bank credit | 275 | - |
| **Total liabilities** | **378** | **141** |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | $'000 | |
| Share capital | 209 | 209 |
| Additional paid-in capital | 23,061 | 23,078 |
| Retained earnings | 5,226 | 3,775 |
| Capital reserves | (466) | (250) |
| Non-controlling interest | 1,222 | 1,226 |
| **Total equity** | **29,252** | **28,038** |
| **Leverage ratio** | **1.3%** | **0.5%** |

## 21. Financial instruments - Risk Management (Cont.)

The net debt ratios stem from the Board of Directors' decision to continue to invest in the Company's development, but without the use of excessive leverage. The Group intends to examine the leverage ratio from time to time and to define it according to its needs. The increase in the net debt ratio in 2023 derived mainly from the increase in short time credit used by the Company to finance part of its activity. The Group intends to maintain the leverage ratio in future periods as well. Beyond that stated above, there were no other material changes in the objectives, policies or processes of managing the Group's capital during the year, as well as in the Group's definition of capital.

## 22. Subsidiaries:

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

| **Name** | **Country of incorporation** | **Proportion of ownership interest on 31 December** | | **Held by** |
|---|---|---|---|---|
| | | **2023** | **2022** | |
| AdvantCom Sarl | Switzerland | 100% | 100% | M.T.I Wireless Edge |
| Global Wave Technologies PVT Limited | India | 80% | 80% | AdvantCom Sarl |
| Ginat Wave India Private ltd. | India | 100% | 49% | M.T.I Wireless Edge |
| MTI Wireless Communication India Pvt. Ltd. | India | 100% | - | M.T.I Wireless Edge |
| Mottech water solutions ltd. | Israel | 100% | 100% | M.T.I Wireless Edge |
| Aqua infrastructure management systems ltd | Israel | 100% | 100% | Mottech water solutions |
| Mottech Water Management (pty) ltd. | South Africa | 85% | 85% | Mottech water solutions |
| Mottech USA Inc. | United states | 100% | 100% | Aqua water control solution |
| Mottech Water Management (Shenzhen) Ltd. | China | 100% | 100% | Mottech water solutions ltd. |
| Mottech Parkland (pty) Ltd. | Australia | 50% | 50% | Mottech water solutions ltd. |
| Mottech Water Management ltd. | Canada | 100% | 100% | Mottech water solutions ltd. |
| M.T.I Engineering ltd. | Israel | 100% | 100% | M.T.I Wireless Edge |
| Summit electronics ltd. | Israel | 100% | 100% | M.T.I Engineering ltd. |
| M.T.I Summit electronics ltd. | Israel | 100% | 100% | M.T.I Wireless Edge |
| P.S.K Wind Technologies Ltd. | Israel | 51% | 51% | M.T.I Summit electronics ltd. |

## 23. Share capital

| | Authorized | | | |
|---|---|---|---|---|
| | **2023** | **2023** | **2022** | **2022** |
| | **Number** | **NIS** | **Number** | **NIS** |
| Ordinary shares of NIS 0.01 each | 100,000,000 | 1,000,000 | 100,000,000 | 1,000,000 |

| | Issued and fully paid | | | |
|---|---|---|---|---|
| | **2023** | **2023** | **2022** | **2022** |
| | **Number** | **NIS** | **Number** | **NIS** |
| *Ordinary shares of NIS 0.01 each at beginning of the year* | 88,538,724 | 885,388 | 88,538,724 | 885,388 |
| Changes during the year | | | | |
| Exercise of options to share capital | - | - | - | - |
| At end of the year | 88,538,724 | 885,388 | 88,538,724 | 885,388 |

(*) Please see notes 26 and 27 regarding share-based payments to the controlling shareholders.

On 24 January 2019, the Company announced a share repurchase program to conduct market purchases of ordinary shares of par value 0.01 Israeli Shekels each ("Ordinary Shares") in the Company up to a maximum value of £150,000 (the "Programme"). Thereafter, the board of directors of the Company and the board of directors of MTI Engineering decided to continue with the Programme for several further periods. On 13 April 2022, the Company announced that it would extend the Programme until 31 March 2023, with the Programme having an increased maximum value of up to £200,000 and with the Programme being managed by Shore Capital Stockbrokers Limited pursuant to the terms as announced. On 10 March 2024 the board of directors of the Company and the board of directors of MTI Engineering decided to extend the Programme effective from 12 March 2024 until 31 March 2025 and increase the maximum value of the Programme up to £700,000, with the intention to hold the Ordinary Shares purchased for a longer period of time. As at 31 December 2023, 220,000 Ordinary Shares were held in treasury under the Programme, and as at 10 March 2024, 470,000 Ordinary Shares were held in treasury under the Programme.

## 24. Commitments and guarantees

*A. Royalty commitments*

(i) The Group is committed to pay royalties to the Government of Israel on proceeds from the sales of products that have resulted from research and development activity funded by the Government of Israel by way of grants. Under the terms of the Group's funding from the Government of Israel, royalties of 2%-3.5% are payable on sales of products developed from a project so funded, up to 100% of the amount of the grant received, including amounts received by the Parent Company and its subsidiaries since July 1, 2000. In 2023 and 2022, the Group received $90,000 and $123,000 respectively, as additional grants for the development of new products and therefore the maximum royalty amount payable by the Group as at December 31, 2023, is US$ 830,000.

No provision is recognized as the Group does not expect to sell relevant products in the foreseeable future and in relation to new products a provision will be created once development is in more advance stages.

During 2023 and 2022 the Group did not pay any royalties.

**24. Commitments and guarantees (cont.)**

(ii) The Group is committed to pay royalties to the Government of Israel on proceeds from growth in sales of Mottech's products in China of which the Government of Israel participates by way of grants. Under the terms of the Group's funding from the Government of Israel, royalties of 3% from the increase of sales in China (base year was 2017) shall be paid up to 100% of the amount of the grant received. Payment of royalties shall begin after completion of the grant receipt, which occurred in 2020. The maximum royalty amounts payable by the Group as at December 31, 2023 and 2022 is US$ 217,000.

*B. Guarantees*

The Group has provided guarantees in favour of customers and government institutes in the amount of US$ 705,000 and US$ 119,000 respectively. The guarantees are mainly to guarantee advances received from customers and the performance of contracts signed.

**25. Transactions with related parties:**

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

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

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

All amounts are prior to VAT which will be added to the invoices and are linked to the increase in the consumer price index. In addition to the above, and in accordance with the remuneration policy adopted by the Company, as required under rule 20 of the Israeli Companies Law, a bonus scheme was granted to each of the managers. The bonus scheme states that Zvi Borovitz and Moni Borovitz will each be entitled to a bonus amounting to 2.5% of the Company's net profit exceeding US$800,000 per year, prior to any bonuses granted by the Company. In the case of a loss in a year, the bonus for the next year will be for a net profit exceeding US$800,000 above the loss made in the previous year. In addition, Mr. Moni Borovitz shall be entitled to a bonus equal to three months' management fee, based on the meeting of targets specified by the remuneration committee at the beginning of each year or per the remuneration committee's decision to give such for special performance, plus one month's management fee if the consolidated revenue of the Company increases by more than 5% from the previous year. A ceiling to the bonuses was set at eight months management fees for Mr. Moni Borovitz and US$100,000 for Mr. Zvi Borovitz. The agreement also states that the Company shall reimburse the Management Company for any expense made in performance of the manager's duty. The Company shall also provide each of the managers with a car and phones and will be responsible for all of the related expenses, including all relevant taxes.

For participation of Mr. Moni Borovitz in the employee share option plan please see section 26 F and 27 A below.

## 25. Transactions with related parties (cont.)

### B. Transaction with the Parent Group:

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

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| Management Fee | 793 | 823 |

Compensation of key management personnel of the Group:

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| Short-term employee benefits * | 1,274 | 1,245 |

* Including Management fees for the CEO, Directors, Executive Management and other related parties including the Controlling shareholder. Please see notes 26 and 27 regarding share-based payments to the controlling shareholders.

Balances with related parties:

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| Other accounts payables | 353 | 277 |

## 26. Significant Events:

A. On 14 March, 2023 at the Company's annual general meeting, Mr. Michael Yehezkel Karo was elected as an independent non-executive director.

B. On 11 July, 2023 the Company acquired the minority holdings in Ginat Wave India Private ltd for a non-material amount and now holds 100% of this company.

C. On 19 July, 2023 the Company completed the registration of its fully owned subsidiary, MTI Wireless Communication India Private Limited, in India in order to support local demand in the market.

D. On 7 October, 2023 Israel was attacked by the Hamas terror organization leading to war in the Gaza region. The war has led to a slowdown in the Israeli economy and if this war continues for a prolonged period then it may begin to impact the Company. The wide usage of military reserve personnel, adverse foreign currency exchange rates and restrictions on access to certain areas in Israel are risks which may affect the Company if there is a prolonged period of war. As of the date of this report, and to the best of the Company's knowledge, the war has not had a significant effect on it. The Company continues to review the effects of the war on its trading as it believes that if the war continues for a long period of time then the overall Israeli economy will be effected, and factors including the lack of available manpower, interest rates and foreign currency exchange rates may have an impact on its trading.

E. On 19 November, 2023 the remuneration committee and the board of directors approved an option plan in relation to the Company's shares ("Option Plan").

**26. Significant Events (cont.)**

The Option Plan includes the authority to grant 2,000,000 options (2.2% of the Company's issued share capital on fully diluted basis) with the following terms:

1. Each option can be exercised into one ordinary share of the Company at a price of 40p being 25% above the share price at the date preceding the announcement of the Option Plan in November 2023.
2. The vesting of the options will be: 50% after two years, 25% after three years and 25% after four years with expiration of the options being six years after granting.
3. The economic value of the options based on a Black–Scholes calculation is US$259,000 for the total 2 million options approved by the board of directors.

**27. Subsequent events**

A. On 5 January, 2024 following the passing of an extraordinary shareholders meeting, 600,000 share options were granted to Mr. Moshe (Moni) Borovitz, the Company's Chief Executive Officer and 100,000 share options were granted to Mr. Dov Feiner, the General Manager of the Company's Antenna division as part of the Option Plan.

B. The Board of directors has decided to declare a cash dividend of 3.1 US cents per share being approximately $2,745,000. This dividend will be paid on 11 April 2024 to shareholders on the register at the close of trading on 22 March 2024 (ex-dividend on 21 March 2024). The currency translation into British Pounds will be made on 25 March 2024 and there will not be a scrip dividend alternative.

C. The financial statements were authorized for issue by the board as a whole following their approval on 10 March 2024.