מסמך רישום

BATM Advanced Communications Ltd.

באטמ תקשורת מתקדמת בע"מ

(להלן: "**החברה**")

רישום למסחר בבורסה לניירות ערך בתל אביב בע"מ (להלן: "**הבורסה**") של: 437,129,074 מניות רגילות רשומות על שם בנות 0.01 ש"ח ע.נ. כל אחת (להלן: "**המניות הרגילות**"), ועד 17,522,858 מניות רגילות שינבעו ממימושן של אופציות (options) שאינן רשומות למסחר.

המניות הרגילות של החברה רשומות למסחר ברשימה הראשית של ה-London Stock Exchange (להלן: "**בורסת לונדון**"):

List of the London Stock Exchange's Main Market (Official U.K. Listing Authority), Primary Listing.

סימון ניירות ערך של החברה בבורסה: באטמ.

סימון ניירות ערך של החברה בבורסת לונדון: BVC.

ניירות הערך של החברה ירשמו למסחר לפי הוראות פרק ה'3 לחוק ניירות ערך, התשכ"ח-1968 ("חוק ניירות ערך"). לפיכך, דיווחי החברה יהיו בשפה האנגלית ותוכנם יהא בהתאם למתכונת הדיווח באנגליה.

תאריך: 8 ביולי, 2019

תוכן עניינים

חלק ראשון - כללי

חלק ראשון

1. **שם החברה**: באטמ תקשורת מתקדמת בע"מ; ובאנגלית: BATM Advanced Communications Ltd.

2. **מקום התאגדות החברה**: ישראל.

3. **תאריך התאגדות החברה**: 26 בינואר 1992.

4. **סוגי ניירות הערך שהנפיקה החברה**:

4.1 מניות רגילות בנות 0.01 ש"ח ע.נ. כל אחת, הרשומות למסחר בבורסת לונדון.

4.2 מניות רגילות שינבעו ממימושן של אופציות (options) שהוקצו לעובדים, יועצים, נותני שירותים, דירקטורים ונושאי משרה של החברה וחברות הבנות שלה.

5. **מקום רישום ניירות הערך למסחר**: List of the London Stock Exchange's Main Market (Official U.K. Listing Authority), Primary Listing[1].

6. **כמות ניירות הערך הרשומה למסחר**:

הון החברה מורכב מניירות ערך כדלקמן:

6.1 437,129,074 מניות רגילות. מניות רגילות כאמור הינן חופשיות מחסימה בהתאם לדינים הרלוונטיים באנגליה.

6.2 17,522,858 מניות רגילות שינבעו ממימוש אופציות (options) תחת תוכנית האופציות (2004) של החברה (להלן: "**תוכנית האופציות**"), אשר מיועדות להענקה לעובדים, יועצים, נותני שירותים, דירקטורים ונושאי משרה של החברה וחברות בת שלה בארץ ובחו"ל. המניות הרגילות שינבעו ממימוש האופציות תרשמנה למסחר ולא תהיינה מוגבלות או חסומות על-פי הדין באנגליה. נכון למועד מסמך הרישום מתוך 17,522,858 אופציות הניתנות למימוש עד ל-17,522,858 מניות רגילות הנכללות בתוכנית האופציות (להלן: "**האופציות**"), הוקצו על-ידי החברה 8,425,395 אופציות, ואילו 9,097,463 אופציות טרם הוקצו.

תוכנית האופציות אושרה על-ידי דירקטוריון החברה ביום 29.11.2004, ועל-פיה ניתן להעניק, בכפוף לקבלת האישורים הנדרשים על-פי דין, אופציות הניתנות למימוש למניות רגילות, לעובדים, יועצים, נותני שירותים, דירקטורים ונושאי משרה של החברה וחברות בת שלה בארץ ובחו"ל. האופציות המוענקות מכוח תוכנית האופציות ניתנות למימוש בהתאם לתנאי תוכנית האופציות, תנאי הסכם האופציות הרלוונטי

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[1] המנויה בתוספת השלישית לחוק ניירות ערך.

ולהוראות כל דין החל על החברה ו/או על הניצעים, לרבות סעיף 102 לפקודת מס הכנסה [נוסח חדש] התשכ״א – 1961 (ככל שרלוונטי) ודיני המס הרלוונטיים.

לפי תנאי האופציות, לא ניתן לבצע מימוש של האופציות למניות החברה ביום הקובע לחלוקת מניות הטבה, להצעה בדרך של זכויות, לחלוקת דיבידנד, לאיחוד הון, לפיצול הון או להפחתת הון (להלן: "**אירוע חברה**"). בנוסף, אם חל יום האקס של אירוע חברה לפני היום הקובע של אירוע חברה, לא יבוצע מימוש ביום האקס כאמור.

7. **<u>התאריך שבו נרשמו ניירות הערך לראשונה למסחר בבורסת לונדון</u>**: 12 באוגוסט 1996.

8. **<u>פרטים אודות החברה</u>**:

8.1 מען רשום: אזור התעשיה נווה נאמן, רחוב החרש 4, הוד השרון 4524075.

8.2 מספר טלפון ומספר פקסימיליה בישראל: 09-8662525; 09-8662500.

8.3 מספר טלפון ומספר פקסימיליה באנגליה: 7500 3205 20 (0) 44+; 5005 3205 20 (0) 44+.

9. **<u>סימון ניירות הערך</u>**:

9.1 **בבורסת לונדון**: BVC

9.2 **בבורסה**: באטמ

10. **<u>אנשי הקשר של החברה</u>**:

10.1 **אנשי הקשר עם גופי הפיקוח והאכיפה של הדין הזר**: מוטי נגר, סמנכ״ל כספים ודירקטור ויועציה המשפטיים של החברה באנגליה לממשל תאגידי.

10.2 **כתובתם של אנשי הקשר ופרטי הקשר עימם**:

10.2.1 מוטי נגר, סמנכ״ל כספים ודירקטור - אזור התעשיה נווה נאמן, רחוב החרש 4, הוד השרון 4524075, טל׳: 09-8662517, פקס: 09-8662500.

10.2.2 היועצים המשפטיים - Fladgate LLP, 16 Great Queen Street | London WC2B 5DG Attention: Avram Kelman, Solicitor, טל׳ 7352 3036 20 (0) 44+, פקס: 7852 3036 20 (0) 44+.

10.3 **איש הקשר עם רשות ניירות ערך ופרטיו יצירת קשר עימו בישראל**: מוטי נגר, סמנכ״ל כספים ודירקטור, אזור התעשיה נווה נאמן, רחוב החרש 4, הוד השרון 4524075, טל׳: 09-8662517; פקס: 09-8662500.

10.4 **חברה לרישומים באנגליה**: Link Asset Services Limited, 6th Floor, 65 Gresham Street, London EC2V 7NQ, England TEL: 00-44-207 397 6233

11. **<u>תיאור המניות הרגילות</u>**:

11.1 הון המניות הרשום של החברה הינו 10,000,000 ש"ח מחולק ל-1,000,000,000 מניות רגילות בנות 0.01 ש"ח ערך נקוב כל אחת.

11.2 הון המניות המונפק של החברה מורכב מ-437,129,074 מניות רגילות בנות 0.01 ש"ח ערך נקוב כל אחת.

11.3 בהתאם לתקנה 5 לתקנון החברה, החברה רשאית, בהחלטה מיוחדת של בעלי מניות החברה, להקצות מניות בכורה, מניות בזכויות עדיפות או נדחות או להקצות מניות בזכויות מוגבלות מיוחדות אחרות או בהגבלות בקשר עם חלוקת דיבידנדים, זכויות הצבעה, פדיון, או בקשר עם עניינים אחרים כפי שתקבע החברה מדי פעם בפעם. למועד מסמך רישום זה לחברה אין מניות בכורה או מניות מסוג מיוחד בהון הרשום והמונפק.

11.4 החברה מתחייבת כי כל עוד מניותיה רשומות למסחר בבורסה היא לא תקצה ולא תנפיק מניות מסוג שונה מזה הרשום למסחר בבורסה (דהיינו המניות הרגילות), למעט בהקצאה המקיימת את הוראות סעיף 46ב(א)(1) לחוק ניירות ערך והנחיות הבורסה, ככל שיהיו מעת לעת. כמו כן, מתחייבת החברה כי כל עוד מניותיה רשומות למסחר בבורסה, כל מניותיה המונפקות תהיינה נפרעות במלואן.

11.5 המניות הרגילות זכאיות להשתתף בחלוקת מלוא דיבידנד או מניות הטבה שיוכרז עליהם לאחר תאריך מסמך רישום זה.

12. ***<u>עיקרי הזכויות הנלוות למניות הרגילות</u>***:

החברה התאגדה על פי חוק מדינת ישראל וכפופה לחוק החברות, השתנ"ט-1999 (להלן: "**חוק החברות**") והתקנות על פיו.

להלן תיאור עיקרי הזכויות הנלוות למניות הרגילות של החברה על פי תקנון החברה ותזכיר ההתאגדות שלה (להלן ביחד: "**מסמכי ההתאגדות**").

האמור להלן הינו תאור כללי, שאינו מתיימר להיות תיאור ממצה או פרשנות מוסמכת של הדין ואינו מהווה תחליף לעיון במסמכי ההתאגדות של החברה ו/או לקבלת ייעוץ מקצועי אחר, לרבות ייעוץ משפטי בנוגע לדין הישראלי ו/או כל דין אחר. בנוסף, תקציר זה אינו מתאר את כלל החוקים החלים על החברה מכוח רישומה למסחר בבורסת לונדון, לרבות ה - Financial Services and Markets Act 2000; Companies Act 2006; The FSA Handbook published by the Financial Services Authority (הכולל את ה- The Listing Rules, The Disclosure Rules and Transparency Rules וה- The Prospectus Rules) או מקורות נורמטיביים אחרים החלים על החברה ו/או על בעלי מניותיה. לפרטים בדבר מלוא הזכויות הנלוות למניות החברה, ראו תקנון ההתאגדות של החברה, כפי שיפורסם במגנ"א עם רישומן למסחר של מניות החברה בבורסה.

12.1 **אסיפות בעלי המניות**

12.1.1 **זכויות הצבעה** - כל בעל מניה זכאי בכל אסיפת בעלי מניות לקול אחד עבור כל מניה הרשומה על שמו במרשם בעלי המניות.

12.1.2 **זימון לאסיפות** - אסיפה כללית שנתית תתקיים לפחות אחת לכל שנה קלנדארית, בתוך תקופה שלא תעלה על חמישה עשר (15) חודשים לאחר קיום האסיפה הכללית האחרונה, במועד ובמקום שיקבע על ידי דירקטוריון החברה בישראל או מחוץ לישראל. באסיפה זו יבחרו דירקטורים, ימונו רואי החשבון המבקרים של החברה ויתקבלו החלטות נוספות הנדרשות על פי חוק החברות. דירקטוריון החברה רשאי, כל אימת שימצא לנכון, לכנס אסיפה כללית מיוחדת, בזמן ובמקום, בין אם בתוך ישראל או מחוצה לה, כפי שיקבע על ידי הדירקטוריון, ויהא מחויב לעשות כן על פי דרישה בכתב בהתאם לסעיף 63 לחוק החברות.

12.1.3 **הודעה על זימון אסיפה** - לכל בעל מניה הזכאי להשתתף ולהצביע באסיפה תינתן הודעה בכתב על כל אסיפה כללית ובה פרטי, מועד ומיקום האסיפה. ההודעה תימסר לא פחות מ-21 ימים טרם מועד האסיפה. על אף האמור לעיל, בהסכמה של כל בעלי המניות הזכאים להשתתף באסיפה, החברה תהא רשאית להודיע לערוך אסיפה אף אם ההזמנה ניתנה לפני המועד הקבוע הנ״ל.

12.1.4 **מניין חוקי** - המניין החוקי לכינוס אסיפה יתהווה בנוכחות שני בעלי מניות או יותר, נוכחים בעצמם או באמצעות שלוח. בהעדר מניין חוקי, תדחה האסיפה לאותו מקום ולאותה שעה בשבוע שלאחר מכן, או למקום ומועד אחר כפי שיקבע על ידי יו״ר הדירקטוריון בהסכמת רוב הנוכחים בישיבה. המניין החוקי באסיפה נדחית יהיה אותו מניין חוקי.

12.1.5 **החלטה ללא אסיפה** - החלטה בכתב אשר נושאת את חתימותיהם של כל בעלי המניות אשר זכאים באותו מועד להשתתף ולהצביע באסיפה הכללית, או שכל בעלי מניות אלה נתנו את הסכמתם בכתב (במכתב, פקסימיליה טלקס, דוא״ל או כל דרך אלקטרונית אחרת) או בעל פה (בתנאי שיו״ר דירקטוריון החברה חתם על החלטה בכתב) תחשב כהחלטה אשר התקבלה פה אחד על ידי אסיפה כללית אשר כונסה וקוימה כדין.

12.1.6 **הרוב הנדרש לקבלת החלטות** - החלטה רגילה של בעלי מניות תחשב כהחלטה שהתקבלה אם אושרה על ידי רוב בעלי זכויות ההצבעה, אשר נוכחים באסיפה בעצמם או באמצעות שלוח, ומשתתפים בהצבעה. החלטה מיוחדת של בעלי המניות תחשב כהחלטה שהתקבלה אם אושרה על ידי 75% מבעלי זכויות ההצבעה, אשר נוכחים באסיפה בעצמם או באמצעות שלוח, ומשתתפים בהצבעה.

12.1.7 **זכותה של החברה לדרוש גילוי נאות מאדם הרשום כבעל מניות בחברה בנוגע ל״נהנה״ של המניות** - במקרה בו מתעורר חשד כי אדם או תאגיד

מחזיק מניות בחברה עבור נהנה סמוי, החברה רשאית לשלוח הודעה לבעל המניות הרשום במרשם בעלי מניות החברה כבעלים של מניות אלו ולדרוש ממנו לאשר כי הוא הנהנה האמיתי של מניות החברה המוחזקות על ידו, ובמידה והוא מחזיק במניות עבור נהנה אחר, שיתן לחברה פרטים בדבר שמו ופרטיו של הנהנה (להלן - "**דרישת הגילוי**"). אם מי שאליו נשלחה דרישת הגילוי לא ישיב לדרישת הגילוי תוך 14 יום ממועד מסירת דרישת הגילוי לידיו, דירקטוריון החברה רשאי להטיל על אותו בעל מניות "מגבלות" בגין ההחזקה במניות אלו, וזאת עד שיענה לדרישת הגילוי. המגבלות כוללות, בין היתר, הגבלה על בעל המניות הרשום כבעל מניות בחברה להשתתף באסיפות הכלליות של החברה; במידה והמניות רשומות על שם - לסרב לאשר את העברת המניות לאחר; להגביל את זכותו של אותו אדם לקבל דיבידנדים או מניות הטבה במקום דיבידנד אם הוחלט ע"י החברה להעניק מניות הטבה במקום דיבידנד וכיוצ"ב. הוראות סעיפים אלו מאמצות את הוראות סעיף 793 ל- Companies Act 2006.

12.2 **הדירקטוריון**

12.2.1 **מספר הדירקטורים** - מספר הדירקטורים בחברה לא יעלה על 12 דירקטורים ולא יפחת מ-4 דירקטורים.

12.2.2 **מינוי והפסקת כהונה** - דירקטורים (למעט דירקטורים חיצוניים) נבחרים על ידי בעלי המניות באסיפה הכללית השנתית של בעלי המניות. תקופת הכהונה של דירקטור תפקע במועד האסיפה הכללית השנתית הבאה לאחר האסיפה הכללית בה מונה, אם לא נבחר בה מחדש. כהונתו של דירקטור תופסק טרם פקיעתה כאמור במקרים הבאים: (א) מוות או אי כשירות משפטית של הדירקטור; (ב) הדירקטור הוכרז כפושט רגל; (ג) הדירקטור מנוע מלכהן כדירקטור בשל דרישות כל חוק קיים; (ד) הדירקטוריון הפסיק את כהונתו של הדירקטור בהתאם לסעיף 231 לחוק החברות; (ה) אסיפה מיוחדת של בעלי המניות החליטה על הפסקת הכהונה ברוב רגיל; (ו) ניתן צו בית המשפט בהתאם לסעיף 233 לחוק החברות; או (ז) הדירקטור הודיע לחברה על סיום כהונתו.

12.2.3 **הזכויות להשתתף בחלוקת דיבידנד ומניות הטבה**- בעלי המניות זכאים להשתתף בחלוקת דיבידנד ומניות הטבה על ידי החברה באופן יחסי להחזקותיהם במניות הרגילות.

12.2.4 **פירוק** - במקרה שהחברה תפורק, אזי בכפוף לדין החל ולזכויות בעלים של מניות שצמודות להן זכויות מיוחדות במקרה של פירוק[2], יתרת נכסי החברה

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[2] ככל שיהיו מניות כאלו. במועד מסמך הרישום אין מניות כאלו, ולעניין זה ראה סעיף 11.4 לעיל.

לאחר פירעון כל החובות לנושיה יחולקו בין בעלי המניות הרגילות באופן יחסי להחזקותיהם במניות החברה.

12.2.5 **התנאים לשינוי הזכויות הנלוות למניות** - בהתאם למסמכי ההתאגדות החברה רשאית לשנות את תקנונה בהחלטה מיוחדת שהתקבלה באסיפה הכללית של החברה.

12.3 תקנון ההתאגדות של החברה אינו כולל הוראות למניעת השתלטות עוינת, כגון "גלולת רעל".

12.4 לכל מניה רגילה בהון החברה זכויות שוות, לכל דבר ועניין, לכל מניה רגילה אחרת, כמפורט במסמכי ההתאגדות של החברה.

13. <u>**מיסוי הכנסות ממניות החברה**</u>

להלן תיאור תמציתי של הוראות רלוונטיות של דין המס בישראל.

כמקובל בעת קבלת החלטות על השקעות כספים, יש לשקול את השלכות המס הקשורות בהשקעה במניות החברה. האמור במסמך רישום זה בדבר מיסוי מניות החברה אינו מתיימר להוות פרשנות מוסמכת של הוראות החוק הנזכרות במסמך רישום זה או תיאור ממצה של הוראות החוק הרלוונטיות, והוא אינו בא במקום יעוץ מקצועי, בהתאם לנתונים המיוחדים ולנסיבות הייחודיות של כל משקיע. כמו כן, האמור במסמך רישום זה משקף את הוראות הדין כפי שהן במועד דוח זה והן עשויות להשתנות בעתיד. מומלץ כי כל משקיע יתייעץ עם יועציו המקצועיים בכל הקשור לשיקולי מס בביצוע ההשקעה.

בשנים האחרונות חלו שינויים מהותיים במיסוי שוק ההון, ובשל כך טרם התגבשה הפרקטיקה הנאותה בכל הנוגע ליישומם, ואף ייתכנו מספר פרשנויות לגבי אופן יישומם. יתרה מזאת, ייתכנו שינויים נוספים מעבר לשינויים שבוצעו עד כה בפרשנות ההוראות המובאות בתיאור להלן, שהינו כאמור תיאור כללי בלבד ושאינו ממצה של הסדרי המס בקשר עם מניות החברה. מטבע הדברים, לא ניתן לצפות את תוכנם והשפעתם של השינויים האמורים.

13.1 **רווח הון ממכירת מניות החברה**

בהתאם לסעיף 91 מס הכנסה [נוסח חדש] (להלן: "**הפקודה**"), רווח הון ריאלי ממכירת ניירות ערך על-ידי יחיד תושב ישראל חייב במס בשיעור המס השולי של היחיד בהתאם לסעיף 121 לפקודה, אך בשיעור שלא יעלה על 25%, ויראו את רווח ההון כשלב הגבוה ביותר בסולם הכנסתו החייבת. זאת, ובלבד שמכירת ניירות הערך אינה מהווה הכנסה מעסק בידי היחיד ושלא תבע הוצאות מימון. לגבי מכירת ניירות ערך על-ידי יחיד שהינו "בעל מניות מהותי" בחברה-קרי, המחזיק, במישרין או בעקיפין, לבדו או יחד עם אחר, ב-10% לפחות באחד או יותר מסוג כלשהו של אמצעי השליטה בחברה במועד מכירת ניירות הערך או במועד כלשהו ב-12 החודשים שקדמו למכירה כאמור, שיעור המס לגבי רווח הון ריאלי בידיו יהיה בשיעור שלא יעלה על 30% (להלן: "**בעל מניות מהותי**"). כמו כן, לגבי יחיד שתבע הוצאות ריבית ריאלית והפרשי הצמדה בשל ניירות

הערך יחויב רווח ההון ממכירת ניירות הערך במס בשיעור של 30%, עד לקביעת הוראות ותנאים לניכוי הוצאות ריבית ריאלית לפי סעיפים 101א(א)(9) ו-101א(ב) לפקודה. שיעור המס המופחת כאמור לא יחול לגבי יחיד, שההכנסה בידיו ממכירת ניירות הערך היא בגדר הכנסה מ"עסק" או מ"משלח יד, בהתאם להוראות סעיף 2(1) לפקודה. במקרה זה יחויב היחיד בשיעור מס שולי בהתאם להוראות סעיף 121 לפקודה. בנוסף לכל האמור לעיל בעניינו של היחיד, יוטל מס יסף בשיעור של 3% נוספים מסכום ההכנסה החייבת לשנת המס 2019 העולה על 659,560 ש"ח (סכום זה מתעדכן מידי שנה בהתאם לעליית מדד המחירים לצרכן).

לעניין ניכוי המס במקור מרווח ההון הריאלי במכירת מניות החברה, בהתאם לתקנות מס הכנסה (ניכוי מתמורה, מתשלום או מרווח הון במכירת נייר ערך, במכירת יחידה בקרן נאמנות או בעסקה עתידית), התשס"ג–2002 (להלן: "**תקנות ניכוי מתמורה**"), חייב (כהגדרת מונח זה בתקנות האמורות) המשלם למוכר תמורה במכירת ניירות ערך, ינכה באמצעות חבר הבורסה, מס בשיעור של 25% מרווח ההון הריאלי כאשר המוכר הינו יחיד, ובשיעור מס חברות הקבוע בסעיף 126(א) לפקודה, מרווח ההון הריאלי, כאשר המוכר הינו חבר בני אדם. זאת, בכפוף לאישורי פטור (או שיעור מופחת) מניכוי מס במקור שהופק על ידי רשות המיסים ובכפוף לקיזוז הפסדים שרשאי המנכה במקור לבצע.

יצוין, כי אם במועד המכירה לא נוכה מלוא המס במקור כמפורט לעיל, מרווח ההון הריאלי, יחולו הוראות סעיף 91(ד) לפקודה וההוראות מכוחו בדבר דיווח ותשלום מקדמה על-ידי המוכר בגין מכירה כאמור.

13.2 שיעור המס שיחול על הכנסות מדיבידנד בגין מניות החברה

דיבידנד שמקורו במניות החברה, יהיה חייב ככלל במס בידי בעל מניות יחיד תושב ישראל בשיעור של 25%, למעט אם בעל המניות הוא "בעל מניות מהותי" (כהגדרתו לעיל), שאז שיעור המס לגביו יהיה 30%. ככלל, בהתאם לסעיף 126(ב) לפקודה, דיבידנד המתקבל בידי חברות תושבות ישראל (למעט חברה משפחתית) לא יבוא במניין ההכנסה החייבת, ובלבד שמקור הדיבידנד אינו בהכנסות שהופקו או שנצמחו מחוץ לישראל ואינו מדיבידנד שמקורו במפעל מאושר או מפעל מוטב, כהגדרתם בחוק לעידוד השקעות הון, התשי"ט-1959.

החברה תנכה את המס במקור בחלוקת הדיבידנד, בהתאם לתקנות מס הכנסה (ניכוי מריבית, מדיבידנד ומרווחים מסוימים), התשס"ו-2005 (להלן: "**תקנות הניכוי**"). בהתאם לתקנות הניכוי, ניכוי המס במקור בחלוקת דיבידנד בגין מניות החברה, ליחיד תושב ישראל או לתושב חוץ (יחיד/חבר בני אדם), לרבות בחלוקה לבעל מניות כאמור שהינו בעל מניות מהותי בחברה ואשר מניותיו רשומות ומוחזקות בחברת הרישומים, יהיה בשיעור של 25%. הניכוי במקור ביחס ליחיד ולתושב חוץ שהינו "בעל מניות מהותי" בחברה, אשר מניותיו אינן רשומות ו/או מוחזקות בחברה לרישומים, יהא בשיעור של 30%.

על-פי תקנות הניכוי, שולם דיבידנד ליחיד תושב ישראל ו/או תושב חוץ או לחבר בני אדם תושב ישראל, לגביו נקבע שיעור מס מוגבל לפי כל דין, ינוכה המס לפי השיעור שנקבע. לגבי תושב חוץ, שיעור ניכוי במקור יהיה בכפוף להוראות אמנה למניעת כפל מס (אם קיימת) שנכרתה בין מדינת ישראל לבין מדינת תושבותו של המקבל, וכן בכפוף להמצאה מראש של אישור מתאים מניכוי מס במקור מרשות המיסים.

13.3 **קיזוז הפסדים ממכירת מניות החברה**

ככלל, בהתאם לסעיף 92 לפקודה הפסדי הון בשנת המס, שמקורם במכירת המניות הרגילות בשנת המס ושאילו היו רווחי הון היו חייבים במס בידי מקבלם, יקוזזו כנגד רווח הון ריאלי ושבח מקרקעין ריאלי שינבעו ממכירת נכס כלשהו, והכל על פי העקרונות הקבועים בסעיף, בין אם ההפסד/הרווח נוצרו מנכס, נסחר או שאינו נסחר, בישראל או מחוץ לה (למעט רווח הון אינפלציוני חייב אשר יקוזז ביחס של 1 ל- 3.5).

הפסד הון ממכירת המניות כאמור בשנת המס, ניתן יהיה לקיזוז גם כנגד הכנסה מריבית או מדיבידנד ששולמו בגין אותו נייר ערך או בגין ניירות ערך אחרים באותה שנת מס (בתנאי ששיעור המס החל על ריבית או דיבידנד כאמור לא עלה על שיעור מס החברות הקבוע בסעיף 126(א) לפקודה לגבי חברה, ולגבי יחיד בלבד שלא עלה על השיעור הקבוע בסעיף 125ב(1) או 125ג(ב) לפקודה.

יש לציין, כי מכיוון ששיעור המס החל על דיבידנד בידי יחיד בעל מניות מהותי הינו 30%, הרי שהפסד ההון שהתהווה בשנת המס ממכירת ניירות ערך לא יהיה בר קיזוז כנגד הכנסות מדיבידנד או מריבית מניירות ערך אחרים בידיו.

הפסד שלא ניתן לקזזו כאמור לעיל, כולו או מקצתו, בשנת מס מסוימת, יקוזז כנגד רווח הון ושבח מקרקעין בלבד כאמור בסעיף 92(ב) לפקודה בשנות המס הבאות בזו אחר זו, לאחר השנה שבה נוצר ההפסד, ובלבד שהוגש לפקיד השומה דו"ח לשנת המס בה היה ההפסד.

14. **<u>מרשם ניירות הערך של החברה:</u>**

חברת Link Asset Services המשמשת עבור החברה באנגליה כ- Transfer Agent, מנהלת את מרשם ניירות הערך של החברה באנגליה (באי ג'רסי) והיא האחראית על עדכונו בגין כל שינוי שחל בו.

15. **<u>אישור הבורסה לניירות ערך בתל אביב בע"מ</u>**

הבורסה נתנה את אישורה לרישום למסחר של המניות והמניות שתנבענה ממימוש האופציות (כמפורט בסעיף 6 לעיל) הנרשמות על פי מסמך רישום זה, כאמור לעיל.

אין לראות באישור כאמור של הבורסה אישור לפרטים המובאים במסמך רישום זה או לשלמותם, ואין בו משום הבעת דעה על החברה או על טיבם של ניירות הערך הנרשמים על פי מסמך רישום זה.

16. **<u>שונות</u>**

16.1 יובהר כי ייתכן והחברה תעשה שימוש בשירותי הצבעה באסיפות כלליות הניתנים על-ידי מסלקת הבורסה עבור חברות שניירות הערך שלהן מוחזקים בחשבון מסלקת הבורסה ב-Euroclear Bank SA/NA (יורוקליר), בהתאם להוראות חלק ב' לחוקי העזר של מסלקת הבורסה, וזאת על-פי החלטתה של החברה לגבי כל אסיפה כללית.

חלק שני – נספחים בשפת המקור (אנגלית)

Filing Description	**Date Filed**
Prospectus[3]	July 3, 1996
Annual Financial Report for the year ended December 31, 2018	April 24, 2019
Announcement – BATM enters new markets with Clavister virtual networking partnership	June 10, 2019
Announcement - New solution under NXP Semiconductors partnership	June 17, 2019
Announcement - Proposed Fundraise to raise a minimum of US$15m	June 24, 2019
Results of Placing and Subscription	June 25, 2019

בכבוד רב,

באטמ תקשורת מתקדמת בע״מ

באמצעות צבי מרום (מנכ״ל ודירקטור) ומוטי נגר (סמנכ״ל כספים ודירקטור)

[3] יובהר כי על-פי תקנות ניירות ערך (פרטי מסמך רישום, מבנהו וצורתו), התשס״א-2000 חלה על החברה חובה לצרף את התשקיף האחרון למסמך רישום זה, אך בשל הזמן הרב שחלף ממועד פרסומו, רבים מן הפרטים המובאים בתשקיף האחרון אינם עדכניים ו/או אינם רלבנטיים והוא אינו משקף את פעילותה הנוכחית של החברה. לפרטים עדכניים אודות החברה, ראה הדוח התקופתי והשנתי של החברה לשנה שנסתיימה ביום 31 בדצמבר 2018, כפי שפורסם ביום 24 באפריל 2019, המצורף לחלק השני של מסמך רישום זה.

THIS DOCUMENT IS IMPORTANT. If you are in any doubt about it, you should consult your stockbroker, bank manager, accountant, solicitor or other independent professional adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This document has been drawn up in accordance with the Public Offer of Securities Regulations 1995. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of those Regulations.

To the best of the knowledge of the Directors, who are the persons responsible for this prospectus, the information contained in it is in accordance with the facts and it makes no omission which is likely to affect the import of such information. The Directors, whose names are set out on page 3, accept responsibility accordingly.

Application has been made for the whole of the issued share capital of BATM Advanced Communications Limited ("BATM"), including the new Ordinary Shares being issued pursuant to the Placing, to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is emphasised that no application has been made for admission of these securities to the Official List of the London Stock Exchange ("Official List"). AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The Exchange has not itself examined this document.

The Israel Securities Authority ("ISA") has granted BATM an exemption from the requirement to obtain a permit from the ISA to publish this document. The ISA has also granted BATM an exemption from the reporting obligations to which Israeli companies whose shares are publicly traded are subject, provided that BATM places a copy of each of the reports filed by BATM pursuant to UK law in its main office for public viewing.

BATM

BATM Advanced Communications Limited

(incorporated in Israel with registered number 52-004281-3)

Placing
by
Shore Capital

of up to 6,517,450 ordinary shares of NIS 0.1 each at a price of 125p per share payable in full on application

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SHARE CAPITAL
in ordinary shares of NIS 0.1 each
assuming full subscription in the Placing

Authorised	Issued and fully paid
NIS 10,000,000	NIS 3,105,611.20

The Ordinary Shares now being placed will, following allotment, rank pari passu in all respects with the ordinary shares of the Company now in issue and will have the right to receive all dividends declared or paid on the ordinary shares of the Company after the date of this document.

It should be noted that in connection with this document Shore Capital and Corporate Limited and Shore Capital Stockbrokers Limited are acting for BATM and no one else and will not be responsible to anyone other than BATM for providing the protection afforded to customers of Shore Capital and Corporate Limited and Shore Capital Stockbrokers Limited or for providing advice in relation to the Placing.

BATM is a high technology company. Investment in such companies can be speculative and involves a higher degree of risk than other investments. Your attention is drawn in particular to the section entitled "Risk Factors" on page 22 of this document.

The subscription list will open on 3 July 1996 and may be closed at any time thereafter. The issue is not underwritten and the Directors will not allot any shares unless applications are received for a minimum of 5,600,000 Ordinary Shares and the minimum subscription is received no later than 5.00 p.m. on 12 August 1996.

Copies of this document will be available free of charge to the public at the offices of Shore Capital Stockbrokers Limited, 1 Maddox Street, London W1R 9WA from 3 July, 1996 until 14 days after the date upon which the Ordinary Shares are admitted to trading on AIM.

Indebtedness

At the close of business on 23 June, 1996, apart from intra group liabilities, neither BATM nor any of its subsidiaries had outstanding at that date any mortgages, charges, debentures, loan capital (including term loans), whether outstanding or created but unissued, or any other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other contingent liabilities. As at the same date, the Company and its subsidiaries had positive bank balances of $3,993,410.

Contents

Directors	Gershon Beres (Non-executive Chairman) Dr Zvi Marom (Managing Director) Jacob Rosen (Finance Director) David Goldman MBE (Non-executive) Yakov Be'ery (Non-executive) whose business address is 9 Basel Street, PO Box 4048, Petach-Tikva, Israel
Registered Office	9 Basel Street, PO Box 4048 Petach-Tikva 49130, Israel
Nominated Advisers and Nominated Brokers	Shore Capital Stockbrokers Limited 1 Maddox Street, London W1R 9WA
Financial Advisers	Shore Capital and Corporate Limited 1 Maddox Street, London W1R 9WA
Israeli Financial Advisers	Be'ery Investments and Capital Raising Consultants Limited Diamond Tower, 3A Jabotinsky Street, Ramat-Gan 52520, Israel
Joint Reporting Accountants	BDO Stoy Hayward 8 Baker Street, London W1M 1DA
Auditors and Joint Reporting Accountants	Almagor & Co CPA (ISR) 7 Abba Hillel Road, PO Box 3600 Ramat-Gan 52134, Israel
Solicitors to the Company in the UK	Fladgate Fielder Heron Place, 3 George Street London W1H 6AD
Solicitors to the Company in Israel	Baratz & Co Law Offices, 8 Shaul Hamelech Boulevard Tel-Aviv 67433, Israel
Solicitors to the Issue	S J Berwin & Co 222 Grays Inn Road, London WC1X 8HB
Company Secretary	Ms Riki Prize 9 Basel Street, PO Box 4048 Petach-Tikva 49130, Israel
Registrars	Independent Registrars Group Limited Balfour House, 390-398 High Road Ilford, Essex IG1 1NQ

Definitions

The following definitions apply throughout the document, unless the context otherwise requires:—

"ACN"	Advanced Communication Networks Inc., a US incorporated joint venture company in which BATM has a 50 per cent. interest.
"Act"	Companies Act 1985 as amended by Companies Act 1989.
"Admission"	admission of the Ordinary Shares to trading on AIM.
"AIM"	the Alternative Investment Market of the London Stock Exchange.
"BATM" or "Company"	BATM Advanced Communications Limited.
"BATM (UK)"	B.A.T.M. (UK) Limited, a wholly owned UK subsidiary of BATM.
"BatNet"	Bat-Net Communication Networks Limited, an 85 per cent. owned subsidiary of BATM.
"BTT"	B.T.T. Beres Communication Technologies Limited, a company in which BATM has a 50 per cent. interest.
"Directors" or "Board"	the directors of the Company.
"Group"	the Company and its subsidiaries together with BTT and ACN.
"IBM"	International Business Machines Corporation.
"Larscom"	Larscom Inc.
"London Stock Exchange"	London Stock Exchange Limited.
"Ordinary Shares"	ordinary shares of NIS 0.1 each in the Company.
"Placing"	placing of up to 6,517,450 Ordinary Shares in accordance with this document and the Placing Agreement.
"Placing Agreement"	the conditional agreement between BATM, the Directors, the Vendor, Shore Capital and Corporate, Shore Capital Group plc and Shore Capital, particulars of which are summarised in Part Four, paragraph 13 of this document.
"Placing Price"	the placing price of 125p per Ordinary Share.
"Placing Shares"	6,400,000 new Ordinary Shares to be issued pursuant to the Placing and 117,450 existing Ordinary Shares to be sold by the Vendor.
"Share Option Scheme"	the share option scheme adopted by the Company, further details of which are set out in Part Four, paragraph 10 of this document.
"Share Ownership Plan"	the share ownership plan adopted by the Company, further details of which are set out in Part Four, paragraph 9 of this document.
"Shore Capital and Corporate"	Shore Capital and Corporate Limited, a member of the Securities and Futures Authority and financial adviser to the Company.
"Shore Capital"	Shore Capital Stockbrokers Limited, a member of the London Stock Exchange and nominated adviser and stockbroker to the Company.
"Vendor"	Mordechai Rosenstock.

"AS/400"	IBM mini-computer which operates under 5250 proprietary protocol.
"ATM"	Asynchronous Transfer Mode: high speed and high capacity broad band technology for transmitting voice, video and data over LANs and WANs.
"balun"	unit which joins two different types of cables and is used, in particular, for connecting workstations to IBM host computers.
"bandwidth"	communications channel's information bearing capacity usually expressed in hertz (cycles-per-second) or bits per second.
"blocking"	see Ethernet.
"BOD" or "Bandwidth on Demand"	facility enabling a communications network to expand its bandwidth where necessary to accommodate bursts in data traffic.
"bridge"	unit which usually links segments of the same protocols.
"Ethernet"	the most common protocol for LANs, involving networking systems which use a carrier-sensing access method in which workstations share a network cable, but only one workstation can use the cable at a time (i.e. one station blocks another). Ethernet is increasingly being replaced by fast Ethernet.
"fast Ethernet"	development of Ethernet standard which allows greater amounts of data to be transferred at faster rates.
"fibre-optic cable"	cable which is made of glass and enables transmission of digital signals by light. It has a much greater band width and can extend much longer distances without a repeater than traditional copper cable.
"gateway" or "protocol convertor"	unit which translates data or electrical signals of one protocol into another thereby linking one network to another where each network operates under a differing protocol.
"hub"	connector of computer stations in a star configuration. Hubs can be "active" or "passive". A passive hub simply connects and requires no electrical connection. An active hub connects and also regenerates/amplifies signals from one device to another, creating an effect similar to that of a repeater.
"Intranet"	publishing/communications system using Internet protocols for intra-organisation use.
"LAN" or "local area network"	cabling network linking computer equipment and systems within a relatively small geographical area such as a building or single department, sometimes to the level of campus.
"multiplexor"	unit which enables multiple users to share a single communications line, thereby providing an economic means of accessing remote units. It combines multiple signals onto a single line for transmission and at the receiving end of the line a second multiplexor separates those signals out.
"OEM" or "Original Equipment Manufacturer"	arrangement whereby a designer/manufacturer provides a supplier with equipment which the supplier sells under its own name.

"PABX" or Private Automatic Branch Exchange	privately owned telephone exchange used by organisations for connecting their telephone extensions to the external lines provided by public carriers.
"protocol"	set of rules governing the information flow within a communications infrastructure.
"repeater"	unit which joins two cables and repeats the signal from one cable to the next, strengthening the signal and thereby increasing the reach of a LAN connection.
"structured wiring"	pre-planned cabling system designed to facilitate efficient future growth and relocation of communications equipment within a specified area.
"Token Ring"	protocol for token-passing ring networks which operate in a star configuration.
"Unix"	commonly used operating system for computers.
"WAN" or "wide area network"	cabling or cabling/radio network for linking remote computer systems over a larger geographical area than a LAN using publicly provided telecommunications links.

The following information should be read in conjunction with the full text of this document from which it has been derived:

Business

BATM is a communications equipment manufacturer specialising in products used in local and wide area networks. The networking business was founded in 1991 and incorporated in 1992. Based in Israel, more than 90 per cent. of the turnover of this business is exported, principally to Western Europe, the largest market being Germany. The Company has financed its growth from its own cashflow and has been profitable virtually from establishment.

BATM has built up a large range of products. These products are designed to increase the rate, range and reliability of data transfer within communications networks and to facilitate communication between computers and computing systems which operate under a variety of communications standards.

The field in which BATM operates is rapidly growing. Computer networks within and between organisations are becoming ever more ubiquitous and the volume and range of traffic handled by them is growing rapidly in most parts of the world. The recent explosive growth in the Internet and Intranets is only one factor among many contributing to this growth. The increasing power of desktop PCs, the wider use of graphics, video and sound and the greater use of computer networks for internal communications are leading to an increasing demand for extra bandwidth which is stretching the capabilities of network infrastructure. BATM's equipment provides the extra bandwidth needed and offers management and control systems to enable customers to make more efficient use of their infrastructure of cable and telecommunications lines.

The Directors consider the Company's strengths to be:—

- its well positioned product portfolio
- its ability to innovate in a complex and fast changing field
- its growing reputation amongst equipment manufacturers and distributors as a problem solver
- its technical team who are recognised to be first class electronics and software engineers
- its lean flat structure allowing it to produce high quality, reliable products at competitive prices with excellent margins.

BATM's products are developed, designed and finally assembled in-house. Components are manufactured by sub-contractors or bought in. Its products are sold largely through distributors.

The Company operates in a number of niches, of which currently the most significant is the market for equipment to manage, control and switch traffic over networks of IBM AS/400 computers and terminals. The AS/400 is the mini-computer with the largest installed base in the world. BATM's largest single customer is the IBM group which, through operating subsidiaries in various countries, distributes these products and other complementary equipment. The equipment sells on functionality, versatility and reliability.

As well as the AS/400 range, the Company makes a similar range of products for the two main non-proprietary network standards, Ethernet and Token Ring. One of the principal benefits offered by these products is that they incorporate proprietary software written by BATM which make them easier to install and configure and enable them to present management information readily to the user in the language of their choice. In addition, BATM manufactures a range of cable adapters and ancillary products offering attractive features to its customers. It also undertakes research and development, particularly software development, for major PABX manufacturers for a fee plus royalty interest.

More recently the Company has undertaken substantial research and development (all of which has been expensed) to take it into the fields of fast Ethernet and ATM switching and Bandwidth on Demand over a network. The work on ATM has been undertaken in collaboration with a small German company which the Directors consider to be a leader in the technology, whilst the Bandwidth on Demand product was financed in part by a major US corporation. The latter product has been launched in the US by BATM's US partner and is already selling. The new switch products are expected to be launched early in 1997 and are regarded by the Directors as cutting edge.

The Company's established product portfolio has strong growth potential through gaining further market exposure in territories in which it is already sold and by widening the number of countries in which it is sold. The new products offer excellent potential for growth, being aimed at markets expected by independent commentators to develop to become very large, although highly competitive.

At present the Company does not sell directly in North America, its only sales being of its Bandwidth on Demand product through its US partner. It intends to launch its new products in the United States in the autumn of 1996 and to establish a marketing and distribution channel for its products. To that end, it has recently set up, in conjunction with its German partner, a US company as a marketing and distribution base for those products.

Trading Record and Estimate

Years ended 31st December	**1993** US$000	**1994** US$000	**1995** US$000
Turnover	2,867	4,913	7,619
Operating profit	920	1,172	2,556
Profit before taxation	1,005	1,154	2,720
Taxation	(56)	(99)	(70)
Profit for the financial year (after minority interests)	949	1,055	2,646
Dividends	(167)	(298)	(200)
Retained profit	782	757	2,446
Net assets	1,665	2,422	4,800
Net cash and investments	1,652	1,827	3,159

The trading record of the Company demonstrates strong profit growth and cash generation. BATM is an approved enterprise in Israel and has tax free status in respect of retained profits from its approved activities for a period of eight years from 1992. The charge for taxation is accordingly low.

The current order book is strong and the Directors are confident that 1996 will show good growth in both turnover and profits. The Directors estimate that sales for BATM (excluding Batnet and BTT, two small members of the Group) for the first half of 1996 will show growth of 52 per cent. over the comparable period in 1995. On the same basis they estimate profits before tax for the consolidated Group will be not less than

US$1.45m for the first half of 1996, representing an increase of 11.5 per cent. over the comparable period of 1995. This estimate takes into account the very substantial increase in marketing and research and development expenses incurred by the Company as it begins to extend its sales beyond Europe and to develop new products.

Use of Proceeds

The Placing will raise £8 million before expenses, assuming full subscription. The Company intends to use these monies to fund increased marketing of the Company's products and, in particular, expanding into the North American market, a new manufacturing / research and development facility in Israel, and provide additional working capital. It will also provide the means to enable the Company to acquire interests in strategic partners. Such acquisitions are expected to enhance the product range and extend corporate capabilities as well as cementing relationships.

Placing Statistics

(Assuming full subscription to the Placing)

Placing price per share	125p
Number of shares being placed*	6,517,450
Funds raised by subscription of Placing Shares (before expenses)	£8,000,000
Number of shares in issue following the Placing	31,056,112
Market capitalisation at the Placing Price	£38,820,140
Earnings per share: historic	6.92p
Price/earnings ratio: historic	18.1
Profit estimate for the six months ended 30th June 1996	US$1,450,000

*6,400,000 new shares, 117,450 sale shares

Expected Timetable

	1996
Placing closes	Friday 5th July
Basis of allocations announced	Monday 8th July
Dealings on AIM begin	Friday 12th July

BATM develops and manufactures communications equipment for use by organisations of all sizes in their communications networks. Historically, the Company focused on data communications systems for local area and wide area networks of computers, a rapidly growing field. As data communications systems become integrated with voice telephony and video conferencing, the Company has developed products to meet a broader range of applications.

Based in Israel, but exporting more than 90 per cent. of its networking products, predominantly to Europe, BATM has established an expertise in designing and manufacturing sophisticated products to handle the demands for reliable, manageable networks offering greater bandwidth to the user. Its expertise is evidenced by the number of industry leaders which have looked to the Company for solutions to technical problems and for innovative products to exploit new technologies.

Selling primarily through distributors, BATM has built up a large range of products. These products are designed to increase the rate, range and reliability of data transfer within communications networks and to facilitate communication between computers and computing systems which operate under a variety of communications standards.

In addition to its networking business, BATM has interests in two businesses focused primarily upon the Israeli market. BTT, in which it has a 50 per cent. interest, is a distributor of communications equipment within Israel and which, in particular, specialises in providing the Israeli telephone service with equipment to monitor and improve the efficiency of its systems. BatNet, in which BATM has a 85 per cent. interest, is a systems integrator, i.e. designer and installer of networks on a turnkey basis, and amongst other things acts as a testbed for some of BATM's products.

BATM has grown rapidly since the networking business began in 1991. As it has grown, it has moved closer to the cutting edge of new technology, in particular fast networks, Bandwidth on Demand and sophisticated network management. Consistently profitable, it has funded the required research and development from cashflow, grants and co-operative arrangements with partners. The Directors believe it is now well-placed to capitalise on this development activity.

Until recently the Company has concentrated mainly upon the European market, although it has now carried out its first sale in the Far East. However, the greatest short term potential for its new products is in North America and it intends to launch there during 1996. This North American operation will also be used to service the entire Americas as there is already demand for BATM's products in South America.

The Company's growth will lead it shortly to outgrow its existing factory/research and development facility. It has, through a contract with the Israel Land Authority, acquired an interest in a site to build a new centre close to the existing one. Although the Company has accumulated considerable cash resources, it wishes to raise equity finance to fund the expansion in America and the new facility. It also seeks to provide the means to fund "bolt-on" acquisitions which will complement its existing technical strengths.

For all these reasons, the Company now proposes to become public by admission of its shares to trading on the Alternative Investment Market of the London Stock Exchange. The Placing will raise £8 million before expenses (assuming full subscription) which, the Directors believe, will put the Company in a strong position to realise its ambitious growth plans.

BATM's business originated in a company founded by Dr Zvi Marom with Mr Gershon Beres. This company mainly wrote software for DEC computers running under the Unix and proprietary DEC operating systems as a sub-contractor. In 1991 the founders decided to move into the design and manufacturing of computer networking equipment. Mr Beres owned a substantial cable importing and distribution business within Israel with a wide range of contacts in Europe. Dr Marom had the technical expertise to develop this new business, having previously specialised in signal and data processing. This had included work on a project to make a town in Galilee, Carmiel, fully computerised offering interactive connections to its citizens.

As Israel offers tax privileges or grants to qualifying technology based companies, in 1992 Dr Marom and Mr Beres established a new company, BATM, to take this business forward with the benefit of these tax privileges (see Taxation and Investor Considerations section below). The predecessor company has been placed into members' voluntary liquidation.

The first range of products were in technical terms relatively simple, such as adaptors and ancillary equipment for cable, which took only a short time to develop. Whilst this initial range consisted essentially of "me too" products which the Company aimed to supply at competitive prices, the management soon decided to concentrate on achieving superiority by improving the versatility of the products. The original focus was on the German market where purchasing decisions are arguably more technically driven than in other markets and hence where distributors were willing to take and promote the products of relatively young manufacturers if convinced of their technical merits.

The next area of development for the Company was developing communications equipment for IBM's proprietary AS/400 mini-computer system. The AS/400 is the world's largest selling mini-computer and is installed in a wide range of operating environments (factories, offices, bank branches, shops etc.). BATM analysed the proprietary protocol used by AS/400 systems, namely the 5250 protocol, and developed a range of multiplexors, stars and convertors from optical fibre to copper. These offered AS/400 users competitive prices, a high degree of reliability and the versatility to install their computer and terminals using either cable already in place or modern structured wiring or a combination of both.

The advantages of this range of equipment were sufficient to interest various IBM operating subsidiaries and distributors to become distributors for these products.

Having successfully established this AS/400 range, BATM then introduced a similar range of products for the Token Ring networking standard, which is used predominantly in medium to large sites for a wide range of computer networks. The Token Ring range is sold through distributors, under the BATM label.

In May 1994, BATM entered into a joint venture agreement with Larscom, a data communications company based in Santa Clara, California and a subsidiary of Axel Johnson Inc. Under this agreement, BATM and Larscom agreed to develop a specialised bridging product to connect two Local Area Networks using inverse multiplexing, i.e. combining a number of medium speed data lines into a channel with wider bandwidth. Funding for this project was provided by Larscom and by the Binational Industrial Research and Development Foundation owned by the United States and Israel.

The project envisaged developing products which could, through remote management of bridging products, provide Bandwidth on Demand to the networks being bridged. The project represented BATM's first move into the United States and is described more fully below.

During 1995 the Company continued to broaden both its range of products and its distribution channels. Most significantly it began developing a new range of fast Ethernet products (Ethernet being the most widely used networking standard), designed to offer a migration path to ATM. In 1996 it agreed a joint development programme with a small German company to develop an ATM switch multiplexor. This device manages and controls networks operating at much higher bandwidths than are currently in use, working to and using the new ATM protocol adopted as an international standard by the communications industry.

Business

BATM is now primarily a designer and manufacturer of communications equipment for corporate networks, both within buildings and between buildings. The Company's range is increasingly focused on products embodying considerable research and development, with the more straightforward adaptors with which it began now representing a decreasing proportion of turnover.

A common element of the new products is that their development involved a strong understanding of the communications protocol under which they operate. This understanding is then manifested in proprietary software routines which handle the communications traffic, managing its flow and re-routing or converting it as appropriate. These proprietary routines are often hard-coded onto silicon devices and assembled on printed circuit boards designed by the Company.

As a by-product of this activity, BATM is building up a speciality in designing and developing software for third party communications equipment. This work is undertaken under contract for an up-front fee and a royalty interest in the completed product. The joint venture with Larscom is essentially such an arrangement, and the Company has recently undertaken similar work for a sizeable German company. These research and development projects can lead to on-going co-operation and to BATM being asked to manufacture the product, as in the case of the Larscom joint venture.

However, the bulk of BATM's business involves manufacturing as well as research and development. Thus the Company's research and development team will normally design a product in its entirety and, other than in the case of a joint development, will hold all intellectual property rights to the product through copyright and, where appropriate, trademark protection (see Intellectual Property section below). BATM commissions independent sub-contractors to produce the requisite components on the basis of electronic assembly drawings supplied by its research and development department. The sub-contractors manufacture to the motherboard stage with bought-in components provided by BATM's purchasing department.

The Company then undertakes final assembly, testing and quality control in-house. This is primarily to ensure quality and reliability but has the added advantage that know-how in relation to the entire product rests solely within the Company. BATM typically provides a warranty for its products of between one and five years, depending upon their type. Return information collected by the Company indicates a low failure rate.

The Company conforms to and constantly updates the various certifications and standards for its products. The Company is in the final stages of its certification for ISO 9001; BTT (see below) is ISO 9002 authorised. The Company is authorised by several large data communication companies and customers to manufacture for them. These companies have certified BATM in relation to all their health and safety requirements.

Operations and Premises

The Company's head office is in the Petach Tikva industrial zone to the east of Tel Aviv and close to Ben Gurion, Israel's main airport. A software team also occupies a small office in Herzlya, to the north of Tel Aviv. Research and development and manufacturing are undertaken on a site in the Yokneam Industrial Zone near Haifa in North Central Israel, an area which has excellent road connections to North and Central Israel. BATM recently contracted to acquire a site in Yokneam by way of a long lease. It is intended that this site, when developed, will replace the Company's existing facility.

Sales, Marketing and Distribution

From its beginning, most of BATM's networking products were exported. In 1993 83% of turnover was exported, 89% in 1994 and 92% in 1995 with the largest market being Germany. To achieve these sales, BATM has largely dealt through distributors. Distribution is organised territory by territory, with the distributor taking stock. The distributor is responsible for technical support to the final customers with the assistance, if necessary, of BATM.

Distributors are primarily supported directly from Israel, but BATM also has an operating subsidiary in the UK to provide marketing and technical support for the UK and most of Scandinavia. The Company has, in conjunction with the its German development partner with which it is co-operating in ATM development, recently opened an operating company in the United States to service the Americas. These companies are discussed below.

Group Structure

Although BATM is primarily a designer and manufacturer of communications equipment, it also has interests in two other businesses:

B.T.T. Beres Communication Technologies Limited

The BTT business was formed eighteen years ago by Mr Beres as a division of his company, G. Beres Limited, to import and distribute communications equipment within Israel. The company was incorporated as a separate entity in April 1994. In August 1994 Mr Beres injected 30 per cent. of his interest in BTT into BATM at par consideration in return for BATM providing BTT with technical support from BATM's engineering staff. In 1995 BATM's interest was increased to 50 per cent. as a result of its subscribing additional equity at par value. The company now primarily distributes and maintains equipment for monitoring and improving the efficiency of telecommunications networks.

BTT supplies a wide range of major Israeli companies with communications equipment including connection modules and special telephony monitoring equipment. Its principal customer is now Bezeq, the Israeli telephone company, but its customers include ECI and Cellcom. It imports and distributes products from German, US, French and Japanese manufacturers for which it has exclusive rights.

In recent years it has concentrated upon equipment for monitoring and improving the efficiency of telecommunications networks:

Monitoring: BTT sells and maintains equipment which monitors the operation of telephone lines. The equipment is supplied by a German company and identifies malfunctions within copper cables with a considerable degree of accuracy, thereby minimising the amount of excavation work required to detect and repair line faults. BTT currently supplies this equipment to Bezeq, Israel's leading telecommunications company. The company also has a separate maintenance agreement with Bezeq covering all such equipment which BTT has so far installed.

The monitoring equipment can only be used on copper cabling which has been encased in air pressurised tubing. It is estimated that around 85 per cent. of Bezeq's existing copper cabling is pressurised and, of that 85 per cent., half is currently subject to monitoring by BTT's equipment.

Efficiency Improvement: BTT also sells and maintains equipment which assesses the line efficiency of telecommunications networks. This equipment is manufactured by a British and an American company and works as a system to identify lines which are not being used because, for example, they have been involuntarily overlooked by a telecoms company during network expansion. This enables the telecom company to take steps either to ensure that such lines are put to better use or to disconnect the lines entirely and therefore reduce costs. Again, the primary customer for this equipment is Bezeq.

BTT's turnover was US$354,000 in 1994 but dipped in 1995 to US$285,000 as a result of a hiatus in orders by Bezeq, leading to a small loss in that year. Business has improved again in 1996 as a result of a resumption of orders. BTT has a staff of 4 and draws upon BATM engineers for additional support.

Bat-Net Communication Networks Limited

BatNet acts as a systems integrator for Israeli companies, i.e. it specifies and installs networks on a turnkey basis.

In July 1995, BATM acquired a majority stake in BatNet and redefined its commercial aims to make them more synergistic with those of BATM. BATM has an 85 per cent. interest in the company with the remaining 15 per cent. held by Mr Gershon Beres. Its present objectives are to:

- continue as a systems integrator, selling and installing datacoms equipment produced by BATM and other complementary products to large end users such as the Israel Electrical Company and various Israeli Government bodies;
- establish a number of large scale sites where newly developed products by BATM can be tested and monitored; and
- identify and form alliances with companies and organisations considered complementary to BATM.

BatNet currently employs a staff of 7 and achieved turnover of US$1,120,000 in 1995 on which pre-tax profits were US$54,000.

Distribution subsidiaries

BATM also has two distribution subsidiaries, B.A.T.M. (UK) Limited and Advanced Communication Networks Inc.

B.A.T.M. (UK) Limited

BATM (UK) is a wholly owned subsidiary of BATM and was set up in 1994 to provide a marketing and customer support base for BATM's growing UK operations. It currently has two employees. Equipment manufactured by BATM in Israel is transported by air to BATM (UK) and on to the customer normally within 6 weeks of the company receiving an order. A relatively small amount of equipment is held as stock by BATM (UK).

BATM (UK) operates both independently and through a number of leading UK distributors. BATM (UK) is an approved supplier of a range of AS/400 communication products to IBM UK. IBM UK has undertaken to market, sell and provide support for these products to its UK AS/400 customers.

Advanced Communication Networks Inc.

In April 1996 BATM established a US operating company, ACN. The company was formed as a 50:50 joint venture between BATM and its German development partner with the aim of marketing the products resulting from their joint research and development throughout North America.

Industry Background and Company Strategy

The LAN/WAN field of data communications is one of the most dynamic areas of the information technology industry. As the number and expectations of users grow, so too does the demand for increased networking bandwidth. At the workgroup and the campus level, growth in desktop processing and video and graphics oriented applications has resulted in a continuous pursuit for increased networking bandwidth.

For WANs the situation is worse because the bandwidth available is not nearly sufficient to cope with the demand. The data communications industry is therefore continuously striving to improve the capabilities of existing computer networks by developing add-on products which enhance a network's data transfer rate and information bearing capabilities. At the same time, companies are spending a significant amount of their time and resources developing new methods of data transmission.

Telecommunications carriers have introduced new services at higher speeds and lower prices (megabit links, fractional megabit links, ISDN etc.) while looking for new methods of service (Bandwidth on Demand) and new universal protocols for combining voice and data such as ATM.

This market is highly competitive. The LAN and LAN to WAN field is dominated by a few big companies, mainly US based such as Cisco, Bay Networks, 3COM and Cabletron. In addition, major computer companies such as IBM have returned to this market and there are also several midsize companies with innovative devices such as Ascend, Cascade and New Bridge.

As a result of this rapid technological development and the consequent complexity of having to cope with constantly changing communications standards, relatively small and therefore flexible companies with innovative designs and niche know-how are well-placed to penetrate a share of the market provided they have sufficient marketing, support and distribution capabilities with which to attract customers.

Rather than attempting to compete directly with established market leaders, BATM has concentrated its efforts on particular market segments, developing specialised LAN products for medium size companies with computer networks of 20 to 400 workstations in Ethernet and larger networks in other protocols. As it has broadened its product range, it has sought to co-operate with major companies. By so doing, BATM is not only able to offer customers support for its products but also has access to the considerable marketing and distribution capabilities of these large companies.

BATM develops and manufactures a range of products which, broadly speaking, divide into the following four categories: LANs, LAN to WAN, Proprietary Protocols and Structured Wiring.

1. LANs

BATM produces a variety of hubs, both active and passive, for use in Token Ring and Ethernet local area networks. The products are modular, easy to use, competitively priced and support the majority of cable types, including fibre optic. The cable connections are also upgradable in the field for greater flexibility.

BATM is currently developing switches for fast Ethernet which are expected to be available to the market from the beginning of 1997. The Directors consider that elements in these products put them at the cutting edge of technology.

2. LAN to WAN

These products facilitate connection between local area networks and wide area networks by enabling data, video and sound to be transmitted at extremely high speeds between networks operating under different protocols. Products include multiplexors and other related equipment based around BOD and ATM technology.

BOD

BATM's bandwidth on demand product enables Ethernet users to communicate over a WAN at the full Ethernet LAN speed by transmitting over multiples of high speed lines.

This product is now being introduced under the name EtherSpan by Larscom and first orders have already started to be shipped to customers. Models with video conferencing management are under development.

The Directors believe that these products offer a breakthrough in performance and price.

ATM multiplexing/switching

The ATM protocol is expected to be the leading WAN protocol by the turn of the century. The Directors believe that ATM with fast Ethernet is a winning combination. In conjunction with its German partner, BATM is currently designing a switching machine that would be amongst the most powerful in the industry. This would have at least 16 and possibly up to 96 ports of non-blocking fast Ethernet with an ATM uplink.

The Company expects to launch these products into the market in the first quarter of 1997.

3. Proprietary Protocols

The principal range relates to the IBM protocol 5250 under which the AS/400 mini-computer operates. All such products are fully compatible with the AS/400 and subsequent models derived from that computer. These products are marketed in several parts of Europe in conjunction with IBM under the heading ACS ("Advanced Connectivity System") and include hubs and multiplexors. This ACS family of products facilitates communication between an AS/400 and other computers and computing systems operating under different communication standards. The ACS also allows extension in geographical terms of an existing AS/400 network, acceleration of data transference within such a network and operating an AS/400 within a structured wiring network rather than solely using the older twinax cable previously supported by IBM.

The other major area of activity is real-time management software for proprietary PABXs. This software enables the control of switching matrices operating with relay based frames.

4. Structured Wiring

BATM offers a variety of accessories to improve connections between different cabling systems. Devices under this heading include panels, filters, baluns and surge protectors. All products conform to the latest industry standards and provide the user with a cost-effective alternative to rewiring.

Joint Venture with Larscom

As discussed above, BATM has a joint venture with Larscom, a Californian company, to develop products in the Bandwidth on Demand area. This aims to provide the full 10Mbps bandwidth of a standard ethernet LAN over public data lines of 1.5Mbps and above by inverse multiplexing. The design is such that it can accommodate ATM in future.

These products are targeted towards large private networks and services provided by telephone carriers. The products resulting from this project offer bandwidth on demand service in a manner not previously possible.

The agreement with Larscom provides that Larscom may manufacture the products if it wishes, but, since their launch earlier in 1996, Larscom has sought supply from BATM. Larscom has the exclusive rights to the products in North America, whilst rights outside Israel and North America are shared between the partners (i.e. both can sell the products). Each party is entitled to a royalty on the other's sales. Further details of this agreement are set out in Part Four of this document.

Intellectual Property

Intellectual property rights in relation to computer network hardware and software lie in the design of printed circuit boards, the software embodied in micro processor chips and written to run the data communications equipment and the trade marks under which products and services are supplied.

Software is automatically protected by copyright as soon as the software has been written. Copyright protects against copying but does not confer the same monopoly rights as patent protection. The Directors do not consider patent protection practical nor do they believe that filing for patents would be in the Company's best interest.

With the exception of one sub-contract for the development of rights for a third party, all BATM's software has been written by employees of the Company. Under Israeli law, software created by an employee in the course of his employment belongs to the employer.

Directors

Gershon Beres (Non-executive Chairman, aged 63) graduated in economics and statistics from Tel-Aviv University and has a post-graduate degree in industrial management from the Technion University, Haifa. He was district manager of N.C.R. Haifa for ten years and then general manager of Micro Communication System Limited for a further six years. In 1976 he left to found G.Beres Limited.

Dr. Zvi Marom (Managing Director, aged 41) co-founded BATM. A former first lieutenant in the Israeli Navy, he graduated first (with excellence) in electronics from the Naval Academy and first (with excellence) from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sacler School of Medicine, Israel and a MSc in industrial electronics. He was head of the electronics faculty at the Israeli Open University and of the PC software programming department at the Centre for Education Technology, Israel. He has lectured and provided consultancy advice in the field of electronics to a wide range of individuals and corporations and he was primarily responsible for the design and implementation of an Israeli Government pilot project which provided a town with a total IT communications solution (Carmiel 2000). He is on the board of several national and international academic committees for computing and communications.

Jacob Rosen (Finance Director, aged 43) graduated in economics and accounting from Tel Aviv University. He was a controller of a small industrial company in the Koor group and then served as the assistant director of finance for Argaman Industries. Between 1988 and 1992 he was the head of finance in Gadot Industries and Petro-Chemicals, a large industrial company which dealt in both the Israeli and the export markets. In 1992 he left to become deputy managing director for finance of PST, a subsidiary of Geotek and Rafael companies which specialised in communications. From 1994 he was the deputy managing director for finance and a director of a software company in Israel. He is joining the Company at the beginning of July 1996.

David Goldman MBE (Non-executive, aged 59) is the founder and chairman of The Sage Group plc. Founded in 1981, Sage is an international computer software company with operating subsidiaries in the UK, France, Spain, Portugal and the USA. He is a former Coopers/Times Newspaper "Entrepeneur of the Year", holds an honorary Doctorate in Business Administration from Sunderland University - where he is also a Governor - and received his MBE for 'services to the computing industry'. He also holds a number of non-executive directorships outside of the technology industries.

Yakov Be'ery (Non-executive, aged 67) has a degree in electrical engineering and a masters degree in digital computers from the Technion University, Haifa. He is a veteran of the Israeli Defence Force's Signals and Communications Corp, with the rank of Lt. Colonel. He has spent almost 30 years working in electronic engineering and is a director of Neviot Limited, an Israeli listed company.

Management and Employees

Whilst all major strategic and financial issues are determined by the Board, the more operational and day-to-day side of management is performed by the management board. The management board consists of the following key executives:- Dr Zvi Marom, Ben-Zion Crystal, Dov Lapid, Mordechai Rosenstock and, from July, Jacob Rosen.

Ben-Zion Crystal (research and development director, aged 43) joined BATM in 1993. He graduated in electronics from the Technion University, Haifa and has a post-graduate degree in industrial management from Haifa University. He was a systems design engineer in the Israeli army for four years. In 1983 he left to work for Fibronics, with whom he remained for the next ten years, specialising in the installation and design of Ethernet and Token Ring networks.

Dov Lapid (sales and marketing manager, aged 41) joined BATM in 1995. He graduated in electrical engineering from the Technion University, Haifa and has a MBA from Tel-Aviv University. A major in the Israeli Air Force, he was in charge of its data communications department with responsibility for the development of some of the largest and most complex communication networks in Israel. He left the Air Force in 1983 and began work as a product manager with Telrad Telecommunications Industries, a telecommunications equipment manufacturer with a turnover in the order of US$300m. He remained with Telrad for ten years, during which time he became its export manager with responsibility for Telrad's export markets.

Mordechai Rosenstock (operations and production director, aged 41) holds an electrical engineering degree from the Technion University, Haifa. He was a system design engineer with Fibronics and subsequently technical director, Fibronics US, before joining BATM in 1991.

Excluding BTT and BatNet the Company employs 66 people, nearly all in Israel. 26 of the staff work in research and development and a high proportion of the remainder are also qualified engineers. BATM offers in-depth training for its staff and the Directors consider that it benefits from a high degree of technical expertise.

Financial Record

The following is a summary of the trading record of BATM for the three years ended 31st December 1995. The summary has been extracted from the Accountants' Report set out in Part Two.

Years ended 31st December	1993 US$000	1994 US$000	1995 US$000
Turnover	2,867	4,913	7,619
Operating profit	920	1,172	2,556
Share of profit/(loss) of associated undertaking	—	10	(29)
Financial income (expenses) (net)	85	(28)	193
Profit before taxation	1,005	1,154	2,720
Taxation	(56)	(99)	(70)
Profit after taxation	949	1,055	2,650
Minority interests	—	—	(4)
Profit for the financial year	949	1,055	2,646
Dividends	(167)	(298)	(200)
Retained profit	782	757	2,446
Earnings per share (in cents)*	3.85	4.28	10.73

* Earnings per share is based on the profit for the year and the number of shares in issue, adjusted for the 10 for 1 share split, the additional shares issued to employees and an ex-employee and the bonus issue immediately prior to the Placing.

The table shows that the Company has shown strong growth in both turnover and profits over the period. Indeed the Company has been profitable and generated cash virtually from its foundation.

Financial Record

Turnover in 1995 was US$7.6m on which the Company earned profit after taxation and minority interests of just under US$2.65m. All research and development costs are taken to the profit and loss account in the period in which they incurred. The profits were largely generated within BATM's networking business with a small contribution from BatNet.

The Company's balance sheet at the end of December 1995 was strong with net worth of US$4.8m, of which over US$3m was held as cash, deposits or marketable securities.

Dividend Policy

Provided the Company continues to achieve adequate profitability, the Directors anticipate paying dividends in respect of the financial year ending 31st December 1996 and will continue to do so afterwards as appropriate. They would expect to pay interim and final dividends in the ratio one third to two thirds and do not anticipate an interim dividend for 1996.

Taxation and Investors Consideration

Taxation

The following is a brief summary of the current tax regime applicable to BATM and the UK and Israeli tax consequences for persons acquiring Ordinary Shares. The summary is not intended, and should not be construed, as legal or professional tax advice. Investors should obtain such advice from their own professional adviser before applying for Ordinary Shares.

Company

BATM's manufacturing facility was granted an "approved enterprise" status in 1992 and several subsequent investments relating to the facility were approved by the Investment Centre between 1992 and 1995. The Company elected to participate in the "Alternative Benefit Program" under which it received a full tax exemption on its undistributed income during its "Benefit Period". It was granted an eight year Benefit Period which commenced in 1992.

Thus, whilst tax is payable on profits made by non approved activities such as BatNet and BTT, it is not payable on profits earned by BATM within Israel which are not distributed to shareholders. In the event of a distribution of cash dividend out of tax-exempt income, the Company will be liable to corporate tax at a rate of 25 per cent. in respect of the amount distributed.

Income derived from sources other than the "approved enterprises" was taxable at the regular corporate tax rate of 37 per cent. in 1995. The corporate tax rate is 36 per cent. in 1996.

A more detailed discussion of Israeli taxation on companies is included in Part Four.

Taxation and Investor Considerations

Shareholder Considerations

(a) Dividends

Any dividends received by UK domiciled individual or institutional shareholders from the Company and the associated Israeli withholding tax deducted at source are both included in arriving at such a shareholder's total income and are regarded as the top slice of that income for taxation purposes. The amount of the Israeli withholding tax should be available as a credit against such a shareholder's UK tax liability. However, if the amount of the Israeli withholding tax exceeds the UK tax liability, a repayment of the excess is not available.

The amount of any dividends received by non-UK domiciled individuals from the Company and the associated Israeli withholding tax will only be included in arriving at such a shareholder's total income for UK taxation purposes to the extent that the dividends are remitted, or construed, to the UK.

The position for non-UK shareholders will depend upon the existence of a double tax treaty between Israel and their country for tax purposes, Israel has double tax treaties with most European countries.

(b) Exchange restrictions for Israeli residents

Non-residents of Israel who purchase Ordinary Shares with pounds sterling or other foreign currency will be able to convert to dividends (if any) thereon, and any amounts payable on the dissolution, liquidation or winding up of the affairs of the Company, as well as the proceeds of any sale in Israel of Ordinary Shares to an Israeli resident, into freely repatriable pounds sterling, at the rate of exchange prevailing at the time of conversion, pursuant to regulations issued under the Currency Control Law 1978 of Israel.

Israeli residents are eligible to purchase securities of certain companies, including the Ordinary Shares, if they are listed on a foreign stock exchange in designated countries, which include Great Britain. Such investments must be effected through an Israeli commercial bank.

Under the applicable currency control regulations, the proceeds of a public offering outside Israel must be transferred to Israel. A special permit from the Controller of Foreign Currency will be required to retain any part of such funds outside Israel.

Reasons for the Placing

As discussed above, the Company has plans to launch an innovative range of products in the next year or so and its Directors believe that these have considerable potential in new and existing markets. They have recently established ACN to market some of these products in the United States.

As the Company's growth plans come to fruition, the Directors expect them to place an increasing demand on its cash resources. The US operation will need to be funded, as will the research and development programme, marketing the new products in Europe and the new facility planned at Yokneam. For all these reasons, it seems prudent to the Directors to seek additional equity.

In addition, the Directors wish to acquire interests in strategic partners to cement relationships and enhance BATM's technical and marketing capabilities. These may be funded partly in cash and partly by way of issuing shares. By having its shares publicly quoted, the Directors intend to provide the Company with the means to implement such acquisitions.

Risk Factors

Prospective investors in the Company's shares should be aware of the following risk factors:-

- *Application has been made to admit the Ordinary Shares to trading on AIM. AIM is a new market designed primarily for emerging or smaller companies and shares traded on AIM do not necessarily have the same liquidity as shares traded on the Official List. Accordingly, an investment in such shares may be more difficult to realise than an investment in shares quoted on the Official List. In addition, due to the lower disclosure requirements imposed on companies whose shares are traded on AIM, there may not be adequate information to determine the value of such shares at any particular time.*
- *The Company is dependent on a number of key contractual relationships with customers, particularly IBM, for a substantial proportion of its turnover and on key personnel for its continuing success.*
- *BATM is a high technology company which provides an additional source of risk. New techniques and new entrants may affect BATM's business and other business risks are greater than for a company in a more mature industry.*
- *The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment.*
- *The Company may seek to raise further capital in due course to fulfil its potential.*
- *The Company is based in Israel which has an ongoing conflict with some of its neighbours.*

Shore Capital and Winterflood Securities intend to act as market-makers in the shares following the Placing.

The Company's Strengths

The Directors consider the Company's strengths to be:

- its well positioned product portfolio
- its ability to innovate in a complex and fast changing field
- its growing reputation amongst equipment manufacturers and distributors as a problem solver
- its technical team who are recognised to be first class electronics and software engineers
- its lean flat structure allowing it to produce high quality, reliable products at competitive prices with excellent margins.

Current Trading and Prospects

The Company is currently experiencing strong growth in its business. Growth is particularly strong in both AS/400 and LAN products. BTT and BatNet are both generating profits on increased turnover. On the bases and assumptions set out in Part Three of this document, the Directors estimate that BATM (excluding BatNet and BTT) will achieve turnover for the first half of 1996 of US$4,700,000, an increase of 52 per cent. on the same period of 1995. On the same basis, the Directors estimate profits before taxation for the entire Group will be not less than US$1,450,000 for the first half of 1996, an increase of 11.5 per cent. on the same period of 1995. This estimate takes into account the very substantial increase in marketing and research and development expenses incurred by the Company as it begins to extend its sales beyond Europe and to develop new products.

Looking forward, the Directors anticipate continued growth in the remainder of 1996. Prospects for 1997 will reflect the reception of the new products in the fast Ethernet, Bandwidth on Demand and ATM areas as well as the continuing growth of the existing range into the new geographical markets.

BDO

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and

The Directors
Shore Capital and Corporate Limited
1 Maddox Street
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3 July 1996

Dear Sirs

BATM Advanced Communications Limited ("BATM" or "the Company") was incorporated in Israel in January 1992 as B.A.T.M. (1992) Limited and commenced trading in March 1992. It changed its name to BATM Advanced Communications Limited in May 1996 and became a public company in June 1996.

The financial information set out below is based upon the audited financial statements of BATM and its subsidiaries (together "the Group"), without adjustment.

We have examined the audited financial statements of BATM for the three years ended 31 December 1995 ("the Relevant Periods"). Our work has been carried out in accordance with the Auditing Guideline : Prospectuses and the reporting accountant.

The auditors to the Group were Ofer Minirav CPA (ISR) for the two years ended 31 December 1994 and Almagor & Co CPA (ISR) for the year ended 31 December 1995. The audit report for each of the Relevant Periods was unqualified.

No audited financial statements have been prepared for the Group in respect of any period subsequent to 31 December 1995.

In our opinion the financial information set out below gives, for the purposes of the document of which this report forms a part, a true and fair view of the profits and losses and cash flows of the Group for each of the Relevant Periods and of its state of affairs at the end of each of the Relevant Periods and we accept responsibility for this report accordingly.

1. Accounting Policies

The following principal accounting policies have been consistently applied throughout the Relevant Periods and are in accordance with applicable United Kingdom accounting standards.

(a) Presentation of financial information

The financial information has been prepared under the historical cost convention in US Dollars.

The US dollar is the functional currency of the Company. Transactions and balances denominated in US dollars are presented at their original amounts. Transactions and balances in other currencies are translated into US dollars. All exchange gains and losses arising from the translation of monetary balance sheet items are reflected in the profit and loss account as they arise.

The financial statements of a subsidiary undertaking and an associated undertaking in Israel whose functional currency is the new Israeli shekel (NIS) are translated as follows:

Assets and liabilities are translated into dollars at the rate of exchange ruling on the balance sheet date; results of operations are translated into dollars at an average exchange rate for the year. Exchange differences which arise from the translation of the opening net investment are taken to reserves.

(b) Consolidated financial information

The consolidated financial information includes the financial information of the Company and all its subsidiary undertakings. Results of subsidiary undertakings are included from the date of acquisition. Inter-company balances and transactions are eliminated on consolidation.

The excess of cost over the equity on the acquisition of a subsidiary from controlling shareholders has been deducted from reserves in the period in which it arises.

(c) Associated undertakings

The group's share of the results of associated undertakings is included in the consolidated profit and loss account using the equity method of accounting. The investment in associated undertakings included in the consolidated balance sheet is based on the group's share of the net assets of associated undertakings, together with any premium or discount arising on acquisition, less amounts written off. Any premium on acquisition is dealt with as if it were goodwill.

(d) Rates of exchange and linkage terms

Balances in, or linked to, currencies other than the dollar are included at the rate of exchange prevailing at the balance sheet date. Details of the percentage changes in the value based on rates of exchange of non-dollar currencies are as follows:—

As at 31 December	**1993**	**1994**	**1995**
Change in the year:			
New Israeli shekel	(8.1%)	(1.1%)	(3.9%)
German mark	(7.4%)	12.0%	7.5%

(e) Revenue recognition

Revenues from the sale of products are recognised at the time of delivery to customers.

(f) Research and development costs

Research and development costs, net of grants, are expensed as incurred.

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and amortisation. Depreciation is provided by the straight-line method, at annual rates calculated as sufficient to write off the assets over their estimated useful lives. Amortisation of leasehold improvements is calculated over the period of the lease, assuming that an option to extend is exercised.

Rates of depreciation and amortisation are as follows:—

	%
Computers	20
Tools and equipment	10-20 (mainly 20%)
Motor vehicles	15
Office furniture and equipment	6-15 (mainly 6%)
Leasehold improvements	40

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a "first in-first out" basis in respect of raw materials. Finished goods and work in progress are stated at cost which includes materials, direct labour costs, subcontractors and other production expenses.

2. Profit and Loss Accounts

Year ended 31st December	Notes	1993 $000	1994 $000	1995 $000
Turnover	6(a)	2,867	4,913	7,619
Cost of sales		(1,097)	(2,438)	(3,218)
Gross profit		1,770	2,475	4,401
Net operating expenses	6(b)			
Research and development costs, net		180	257	497
Selling, general and administrative expenses		670	943	1,355
		850	1,200	1,852
Other operating income/(expenses), net	6(c)	—	(103)	7
Operating profit	6(d)	920	1,172	2,556
Share of profit/(loss) of associated undertaking		—	10	(29)
Financial income/(expenses), net	6(g)	85	(28)	193
Profit on ordinary activities before taxation		1,005	1,154	2,720
Tax on profit on ordinary activities	6(h)	(56)	(99)	(70)
Profit on ordinary activities after taxation		949	1,055	2,650
Minority interests		—	—	(4)
Profit for the financial year		949	1,055	2,646
Dividends	6(i)	(167)	(298)	(200)
Retained profit		782	757	2,446
Earnings per share (in cents)	6(j)	3.85	4.28	10.73

All amounts relate to continuing activities.

3. Statement of Recognised Gains and Losses

Year ended 31st December	1993 $000	1994 $000	1995 $000
Profit for the financial year	949	1,055	2,646
Exchange differences on foreign currency translation	—	—	9
Total recognised gains for the year	949	1,055	2,655

4. Balance Sheets

As at 31st December	Notes	1993 $000	1994 $000	1995 $000
Fixed assets				
Intangible assets		3	—	—
Tangible assets	6(k)	258	418	673
Investments	6(l)	—	9	—
Minority interests		—	—	5
Severance pay fund, net of provision	6(m)	—	7	15
		261	434	693
Current assets				
Stocks	6(n)	415	477	625
Debtors	6(o)	782	1,245	2,296
Investments		50	402	392
Cash at bank and in hand		1,602	1,425	2,767
		2,849	3,549	6,080
Creditors: amounts falling due within one year	6(p)	(1,443)	(1,548)	(1,925)
Net current assets		1,406	2,001	4,155
Total assets less current liabilities		1,667	2,435	4,848
Creditors: amounts falling due after more than one year	6(q)	(2)	(13)	(48)
Net assets		1,665	2,422	4,800
Capital and reserves				
Share capital	6(s)	103	103	103
Profit and loss account	6(t)	1,562	2,319	4,697
Shareholders' funds		1,665	2,422	4,800

5. Cash Flow Statements

Year ended 31st December	Notes	1993 $000	1994 $000	1995 $000
Net cash inflow from operating activities	6(v)	1,222	804	1,319
Returns on investments and servicing of finance				
Interest received/(paid)		(39)	154	118
Dividends paid		(167)	(298)	—
Net cash (outflow)/inflow from returns on investments and servicing of finance		(206)	(144)	118
Tax paid		(56)	(99)	—
Investing activities				
Sale and purchase of current asset investments		429	(534)	85
Purchase of subsidiary undertaking	6(w)	—	—	120
Sale of shares in subsidiary undertaking	6(x)	—	—	(5)
Purchase of fixed tangible and intangible assets		(129)	(231)	(319)
Sale of tangible fixed assets		—	6	30
Net cash inflow/(outflow) from investing activities		300	(759)	(89)
Net cash inflow/(outflow) before financing		1,260	(198)	1,348
Financing activities				
New long term loans		—	—	(6)
Repayment of long term loans		—	21	—
Net cash inflow/(outflow) from financing activities		—	21	(6)
Increase/(decrease) in cash and cash equivalents		1,260	(177)	1,342
Cash and cash equivalents at beginning of period		342	1,602	1,425
Cash and cash equivalents at end of period	6(y)	1,602	1,425	2,767

6. Notes to the Financial Information

(a) Turnover and profits

The turnover and profit before taxation are wholly attributable to the research and development, production and marketing of data communication products in the field of local and wide area networks and premises management systems. Turnover is analysed by geographic market below:

Year ended 31st December	1993 $000	1994 $000	1995 $000
By destination			
Israel	480	519	956
Europe	2,296	4,201	6,235
America (mainly North America)	—	108	221
South Africa	83	—	132
Far East	8	85	75
	2,867	4,913	7,619

(b) Net operating expenses

Research and development costs

Year ended 31st December	1993 $000	1994 $000	1995 $000
Research and development costs	258	401	770
Less: participation	(78)	(144)	(273)
	180	257	497

Selling, general and administrative expenses

Year ended 31st December	1993 $000	1994 $000	1995 $000
Selling expenses	343	573	593
General and administrative expenses	327	370	762
	670	943	1,355

(c) Other operating income/(expenses), net

Year ended 31st December	**1993** $000	**1994** $000	**1995** $000
Expenses of aborted issue of shares	—	(105)	—
Gain on disposal of fixed assets and fixed asset investments	—	2	7
	—	(103)	7

(d) Operating profit

Year ended 31st December	**1993** $000	**1994** $000	**1995** $000
This is arrived at after charging:			
Directors' remuneration (note (f))	45	52	82
Depreciation and amortisation	73	72	109
Auditors' remuneration	26	35	62

(e) Employees

Year ended 31st December	**1993** Number	**1994** Number	**1995** Number
The average weekly number of employees during each period, including directors, was:	26	37	69

Year ended 31st December	**1993** $000	**1994** $000	**1995** $000
Staff costs for all employees, including directors, consist of:			
Wages and salaries	319	534	945
Social security costs	26	41	51
Pension and other related costs	116	190	295
	461	765	1,291

(f) Directors

Year ended 31st December	1993 $000	1994 $000	1995 $000
Emoluments:			
Remuneration for management services (highest paid director)	45	52	82

The chairman did not receive emoluments throughout the period.

(g) Financial income/(expenses), net

Year ended 31st December	1993 $000	1994 $000	1995 $000
Net interest receivable/(payable) before translation differences	(1)	163	246
Gain/(loss) on current asset investments	124	(182)	75
Translation differences	(38)	(9)	(128)
	85	(28)	193

(h) Taxation

Year ended 31st December	1993 $000	1994 $000	1995 $000
Israeli corporate tax at 25% on distributed profits (see note (z))	56	99	66
Overseas tax	—	—	4
	56	99	70

(i) Dividends

Year ended 31st December	1993 $000	1994 $000	1995 $000
Ordinary dividends paid/proposed	167	298	200

(j) Earnings per share

Earnings per share is based on the profit for the year and the number of shares in issue throughout each year, adjusted for the 10 for 1 share split, the additional shares issued to employees and an ex-employee and the 8 for 1 bonus issue which took place immediately prior to the Placing. The number of shares used in the calculation for each year was 24,656,112.

(k) Tangible fixed assets

	Land $000	Tools and equipment $000	Computers $000	Motor vehicles $000	Office furniture and equipment $000	Leasehold improve-ments $000	Total $000
Cost							
As at 1 January 1994	—	139	74	67	27	5	312
Acquisitions	—	8	86	102	23	12	231
Disposals	—	—	—	—	(5)	—	(5)
As at 31 December 1994	—	147	160	169	45	17	538
Subsidiary acquired	—	—	1	77	2	—	80
Disposal of subsidiary	—	—	—	—	(7)	—	(7)
Acquisitions	108	2	68	132	8	1	319
Disposals	—	—	—	(34)	—	—	(34)
As at 31 December 1995	108	149	229	344	48	18	896
Accumulated depreciation							
As at 1 January 1994	—	25	18	6	3	—	52
Charge for the year	—	25	21	17	5	1	69
On disposals	—	—	—	—	(1)	—	(1)
As at 31 December 1994	—	50	39	23	7	1	120
Subsidiary acquired	—	—	—	8	—	—	8
Disposal of subsidiary	—	—	—	—	(2)	—	(2)
Charge for the year	—	25	39	39	4	2	109
On disposals	—	—	—	(12)	—	—	(12)
As at 31 December 1995	—	75	78	58	9	3	223
Net book value							
As at 31 December 1995	108	74	151	286	39	15	673
As at 31 December 1994	—	97	121	146	38	16	418

(l) Fixed asset investments

The following companies were subsidiary and associated undertakings and have been included in the consolidated financial information.

	Country of incorporation	Percentage holding of ordinary shares as at 31 December 1995	Nature of business
Bat-Net Communication Networks Limited	Israel	85%	Installation of communication networks
B.T.T. – Beres Communication Technologies Limited	Israel	50%	Communication services
BATM (UK) Limited	United Kingdom	100%	Marketing

In July 1995 the Company acquired from a shareholder for nil consideration an 85% interest in BatNet Communication Networks Limited ("BatNet"), which is engaged in the installation of communication networks. The excess of cost over net assets at acquisition was deducted from the shareholders' funds.

In August 1994 the Company purchased from a shareholder 30% of the shares of BTT-Beres Communication Technologies Limited ("BTT") at par. In 1995 BTT issued additional shares at par, increasing the Company's percentage shareholding to 50%. BTT is engaged in representing foreign companies and providing technical and support services in the communications field. The excess of cost over net assets at acquisition was deducted from the shareholders' funds.

In 1994 the Company established a wholly owned subsidiary in the United Kingdom under the name BATM (UK) Limited which is engaged in marketing the Company's products in Europe and providing services to foreign customers.

In 1994 the Company, together with others, established a company for the development of software products by the name of Metacom Limited ("Metacom"). The Company held 36% of the ownership and 50% of the control of Metacom. During 1995 the Company sold its 36% shareholding in Metacom Limited for nil consideration. The Company recorded a loss of US$ 6,000 on the transaction.

In 1993 the Company established a wholly owned subsidiary in Holland under the name BATM BV to be engaged in marketing the Company's products in Europe and providing services to foreign customers. During 1995 the Dutch subsidiary ceased activities, the Company recording a gain of US$ 5,000 in writing off the investment.

Investments in associated undertakings

The movement in investments in associated undertakings has been as follows:

As at 31st December	1994 $000	1995 $000
As at beginning of year	—	9
Goodwill written off	—	(16)
Share of profit/(loss)	9	(29)
Write off of investment	—	(6)
As at end of year	9	(42)

(m) Accrued severance pay, net

As at 31st December	1994 $000	1995 $000
Amount funded for severance pay	42	72
Liability	(35)	(57)
	7	15

The Company's liability for severance pay is fully provided pursuant to Israeli law. Part of the liability is funded through amounts deposited with severance pay funds and insurance policies. The insurance policies are owned by the Company and have been entered into by the Company on behalf of individual employees. The amounts accumulated with the insurance company and the savings funds are not under the Company's control or management, and are therefore not reflected in the Company's balance sheet.

(n) Stocks

As at 31st December	1994 $000	1995 $000
Raw materials	263	435
Partly finished goods	117	92
Finished goods	97	98
	477	625

(o) Debtors

As at 31st December	1994 $000	1995 $000
Trade debtors	1,054	1,765
Government of Israel	116	198
Value added tax	54	115
Related parties	—	171
Tax authorities	3	5
Other debtors	18	42
	1,245	2,296

All of the above fall due within one year

(p) Creditors: Amounts falling due within one year

As at 31st December	1994 $000	1995 $000
Trade creditors	828	829
Shareholders (including proposed dividend of $200,000 at 31 December 1995)	135	81
Related parties	105	470
Tax authorities	94	47
Other creditors and accruals	386	498
	1,548	1,925

As at 31st December	1994 $000	1995 $000
The balances with shareholders are linked to the CPI and non-interest bearing.		
Details are as follows:		
Highest balance during year due from shareholders	—	133
Year end balance due to shareholders	135	81

(q) Creditors: Amounts falling due after more than one year

As at 31st December	**1994** $000	**1995** $000
Obligations under finance leases	13	6
Deficit in associated company (see note (1))	—	42
	13	48

(r) Commitments

Royalties

The Company is currently obligated to pay royalties to the Office of the Chief Scientist of the Government of Israel ("Chief Scientist") at a rate of up to 3% of revenues derived in connection with products developed by the Company as a result of research and development funded by the Chief Scientist by way of grants, up to 150% of the amount received in new Israel shekels linked to the US dollar. The total amount of grants received, net of royalties paid, as at 31 December 1995 was US$ 616,000.

The Company is obligated to pay royalties to the Government of Israel's Fund for the Encouragement of Marketing Activities, at a rate of 3% on the increase in export sales by the Company, up to the amount granted in NIS, linked to the dollar. The total amount received, net of royalties paid, as at 31 December 1995 was US$ 127,000.

Total royalty expenses to the Chief Scientist and the Fund for the Encouragement of Marketing Activities in 1995, 1994 and 1993 were US$ 159,000, US$ 91,000 and US$ 2,000 respectively.

(s) Share capital

The share capital of the Company as at 31 December 1994 and 1995 was as follows:

	Authorised	Issued and fully paid
Ordinary shares of NIS 1 par value	2,799,400	250,000
Voting shares of NIS 1 par value	600	2

By way of an agreement dated 16 July 1995 between the Company and one of its employees, the Company undertook to issue 3% of its issued share capital to the employee. Under the terms of the agreement the issue was to be made to a trustee for par value in cash. Subsequent to 31 December 1995 the Company issued 1,175 shares, constituting 0.5% of the issued and fully paid share capital of the Company, at par value.

(t) Reserves

	Profit and loss account $000
As at 1 January 1993	780
Retained profit for the financial year	782
Exchange differences	—
Goodwill	—
As at 31 December 1993	1,562
Retained profit for the financial year	757
Exchange differences	—
Goodwill	—
As at 31 December 1994	2,319
Retained profit for the financial year	2,446
Exchange differences	9
Goodwill	(77)
As at 31 December 1995	4,697

(u) Reconciliation of movements in shareholders' funds

Year ended 31st December	**1993** $000	**1994** $000	**1995** $000
Profit for the financial year	949	1,055	2,646
Dividends	(167)	(298)	(200)
	782	757	2,446
Other recognised gains and losses relating to the year (net)	—	—	(68)
Net addition to shareholders' funds	782	757	2,378
Opening shareholders' funds	883	1,665	2,422
Closing shareholders' funds	1,665	2,422	4,800

(v) Reconciliation of operating profit to net cash inflow from operating activities

Year ended 31st December	**1993** $000	**1994** $000	**1995** $000
Operating profit	920	1,172	2,556
Depreciation and amortisation	73	70	109
Gain on disposal of fixed assets and investments	—	(2)	(7)
Increase/(decrease) in accrued severance pay	1	(9)	(15)
Increase in stocks	(311)	(62)	(148)
Increase in debtors	(383)	(463)	(792)
(Increase)/decrease in creditors	922	97	(384)
Others	—	1	—
Net cash inflow from operating activities	1,222	804	1,319

(w) Purchase of subsidiary undertaking

Year ended 31st December	**1995** $000
Assets and liabilities of the subsidiary at acquisition:	
Working capital (excluding cash and cash equivalents)	258
Fixed assets	(72)
Other assets created in the acquisition and written off to retained earnings	(62)
Long-term liabilities	7
Minority interest	(11)
	120

(x) Sale of shares in subsidiary undertaking

Year ended 31st December	**1995** $000
Assets and liabilities of the subsidiary at disposal:	
Working capital (excluding cash and cash equivalents)	(16)
Fixed assets	5
Gain on disposal of investment	6
	(5)

(y) Analysis of cash and cash equivalents

	Cash at bank $000
Balance at 1 January 1993	342
Net cash inflow/(outflow)	1,260
Balance at 31 December 1993	1,602
Net cash inflow/(outflow)	(177)
Balance at 31 December 1994	1,425
Net cash inflow/(outflow)	1,342
Balance at 31 December 1995	2,767

(z) Taxes on income

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

The Company is an "industrial company" as defined in the Israeli Law for the Encouragement of Industry (Taxes) 1969, and, as such, is entitled to certain tax benefits, mainly increased depreciation rates, the right to claim public issue expenses and the amortisation of patents and other intangible property rights as a deduction for tax purposes.

The production facilities of the Company have been granted "approved enterprise" status with respect to an investment programme under the Law for the Encouragement of Capital Investments 1959, as amended. Under this law, income attributable to the enterprise is fully exempt from tax for eight years, commencing in the first year in which the enterprise generates taxable income. (The expiry date of the period of benefits is limited to the earlier of twelve years from commencement of production or fourteen years from the date of the approval.) The period of benefits commenced in 1992.

As of the date of this report, the Company had not submitted the final performance report on the investment programme, and accordingly, the investment had not received final approval. The Company finalised the investment programme during 1995 and such report will be submitted shortly.

In the event of a distribution of a cash dividend out of tax exempt income, the Company will be liable to corporate tax at a rate of 25% in respect of the amount distributed.

In 1995, 1994 and 1993 the Company proposed dividends to its shareholders and consequently incurred tax of US$ 66,000, US$ 99,000 and US$ 56,000 respectively.

Income derived from sources other than the "approved enterprise" is taxable at the regular corporate tax rate of 37% in 1995. The corporate tax rate will be 36% in 1996.

7. Other Matters

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, as amended.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants and Registered Auditors

Almagor & Co
Certified Public Accountants (Israel)

The Directors estimate that the Group's profit on ordinary activities before taxation for the six months ending 30 June 1996 will be not less than $1,450,000. This estimate has been made after due and careful enquiry by the Company.

Basis of calculation of forecast

The Directors' estimate of profit before taxation for the six months ending 30 June 1996 has been prepared on a basis consistent with the accounting policies normally adopted by the Group.

BDO

BDO Stoy Hayward
Chartered Accountants
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The Directors
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9 Basel Street
PO Box 4048
49130 Petach-Tikva
Israel

The Directors
Shore Capital & Corporate Limited
1 Maddox Street
London
W1R 9WA

3 July 1996

Dear Sirs

BATM Advanced Communications Limited: Document to be dated 3 July 1996

We have reviewed the accounting policies and calculations adopted in arriving at the profit forecast of BATM Advanced Communications Limited ("BATM") and its subsidiary companies (together "the Group") for the six months ending 30 June 1996, which are included in the document to be dated 3 July 1996 and for which the Directors of BATM are solely responsible.

The profit estimate of the Group includes the results shown by the unaudited management accounts of the Group for the four months ended 30 April 1996 and estimates for the remainder of the period.

In our opinion the estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis stated and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants and Registered Auditors

Almagor & Co.
Certified Public Accountants (Israel)

1. The Company

1.1 BATM was incorporated in Israel under the Ordinance with registered number 51-165160-6 on 26 January 1992 as a private company with the name B.A.T.M. (1992) Ltd. On 1 May 1996, BATM changed its name to its current name and on 12 June 1996 BATM became a public company with registered number 52-004281-3.

1.2 The liability of the members of the Company is limited.

1.3 BATM's registered offices and headquarters are located at 9 Basel Street, Petach-Tikva, 49510 Israel. BATM's plant is located in IND Park P.O.Box 203 Yokneam, Elite 20692, Israel. BATM's business address in the United Kingdom is located in the offices of BATM's subsidiary, BATM (UK) at 1 City Business Centre, Basin Road, Chichester Road, West Sussex, PO19 2DU.

2. The Company's share capital

2.1 BATM was incorporated with an authorised share capital of NIS 16,600 consisting of 16,000 ordinary shares of NIS 1.00 each and 600 management shares of NIS 1.00 each.

2.2 Pursuant to the Israel Registrar of Companies Permit dated 19 May 1992, BATM's authorised share capital was increased by NIS 250,000 by the creation of 250,000 ordinary shares of NIS 1.00 each and pursuant to a permit of the Israel Registrar of Companies dated 22 December 1993, BATM's authorised share capital was increased to NIS 5,000,000 by the creation of 4,733,400 ordinary shares of NIS 1.00 each. This increase was effected in preparation for BATM's expected public offering on the Tel-Aviv Stock Exchange Limited which was scheduled to take place in the first half of 1994. Due to market conditions, the offering was not made.

2.3 Pursuant to an agreement dated 16 July 1995, as amended between BATM and one of its senior employees, BATM issued 7,833 ordinary shares of NIS 1.00, which were issued at par as fully paid-up shares of which 1,175 were issued to the employee and the balance was issued to a trustee to be held for transfer to the employee 2 years from the date of the Placing.

In certain circumstances if the employee ceases to work for BATM he will be obliged to pay BATM an amount equal to the then market value of all the shares issued to him.

2.4 Pursuant to a BATM's shareholders' resolution dated 1 October 1995 approved by the Tel-Aviv Yaffo District Court on 21 December 1995, BATM reduced its authorised share capital by NIS 2,200,000 consisting of 2,200,000 ordinary shares of NIS 1.00 each. Following this reduction of capital the authorised share capital of BATM was NIS 2,800,000 divided into 2,799,400 ordinary shares of NIS 1.00 and 600 management shares of NIS 1.00.

2.5 On 11 June 1996, BATM allotted and issued 1,305 ordinary shares of NIS 1.00 each to its plant manager at par. This individual is entitled to participate in the Share Ownership Plan.

2.6 On 12 June 1996, each of BATM's ordinary and management shareholders' meetings resolved to increase the Company's authorised share capital by NIS 7,200,000 consisting of 72,000,000 ordinary shares of NIS 0.10 and to split each of the existing ordinary and management shares of NIS 1.00 par value into ten ordinary and ten management shares respectively of NIS 0.10 each.

2.7 On 12 June 1996, each of BATM's ordinary and management shareholders' meetings resolved to convert all of the management shares into ordinary shares having identical rights to all other existing ordinary shares as described in paragraph 12 below.

2.8 On 13 June 1996, the Israel Registrar of Companies approved the increase of BATM's authorised share capital by NIS 7,200,000, as referred to in paragraph 2.6 above.

2.9 On 16 June 1996, BATM issued 10,408 ordinary shares of NIS 0.10 to an ex-employee at par.

2.10 On 23 June 1996, BATM allotted and issued 20,814,464 ordinary shares of NIS 0.10 to its shareholders as bonus shares distributed by the Company from its accrued earnings.

2.11 On 23 June 1996, BATM allotted and issued 1,239,840 ordinary shares at par to the partners of Shachak Peer, Reznick & Co. to be held by them according to the Share Ownership Plan described in paragraph 9 below.

2.12 On 23 June 1996, BATM resolved to adopt the Share Option Scheme as described in paragraph 10 below.

2.13 The Company has granted share options to Mr R Be'ery, proprietor of the Israeli financial advisers to the Company, over 120,000 Ordinary Shares at an option price of 125p per share, exerciseable up to 1 July 1999 and Mr Be'ery has agreed to pay the Company US$40,000 by 26 July 1996, subject to Admission occurring before such date, on account in respect of the option price of such shares. Such share options will be included within the maximum permissible aggregate number of unissued shares over which options may be granted under the Share Option Scheme referred to in paragraph 10 below.

2.14 The authorised and issued share capital of BATM at the date of this document and following completion of the Placing will be as follows:

	Authorised		Issued	Fully
	Number	NIS	Number	paid NIS
Current	100,000,000	10,000,000	24,656,112	2,465,611.20
Proposed	100,000,000	10,000,000	31,056,112	3,105,611.20

2.15 The Company has agreed to issue warrants to Shore Capital Group plc upon completion of the Placing. The warrants will give Shore Capital Group plc the right to subscribe for 246,561 Ordinary Shares at the warrant price of 125p per Ordinary Share until 1 July 1999.

2.16 The Placing Shares will be in registered form.

2.17 Except as disclosed in this document:

2.17.1 no share capital of BATM has been issued or is proposed to be issued, fully or partly, paid for either for cash or for consideration other than cash;

2.17.2 no commission, discount, brokerage or other special term has been granted by the Company, or is now proposed in connection with the issue or sale of any of its share capital;

2.17.3 no share capital of the Company is under option or is agreed, conditionally or unconditionally, to be put under option.

2.18 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

3. The Group

3.1 The business of the Company and its principal activity is to manufacture and sell products used in local and wide area networks.

3.2 The following are subsidiaries or associated companies of the Company:

Company	Registered office	Date and Country of incorporation	Activity	Issued share capital	Percentage of shares owned by the Company
B.A.T.M (UK) Limited	12 North Pallant, Chichester, West Sussex PO19 1TQ	21 April 1994 UK	marketing support	2,000 ordinary shares of £1 each	100
Bat-Net Communication Limited	P.O. Box 4048 Kiryat Areye Petach-Tikva	3 March 1994 Israel	distributor	100 ordinary shares of 1 NIS each	85
B.T.T. Beres Communication Technologies Limited	P.O. Box 4048 Kiryat Areye Petach-Tikva	3 March 1994 Israel	importer and distributor	140 ordinary shares of 1 NIS each	50
B.A.T.M. Real Estate (1994) Ltd	P.O. Box 4048 Kiryat Areye Petach-Tikva	14 December 1994 Israel	to hold real estate	100 ordinary shares of 1 NIS each	100
Advanced Communication Networks Inc.	1445 Koll Circle, Suite 102, Saint Jose, California	11 March 1996 State of California	sale of data communications network equipment	2,000 common stock of $1 each	50

4. Substantial Shareholders

Except for the interests of the Directors which are set out in paragraph 5, the Directors are not aware of any holdings of Ordinary Shares representing 3 per cent. or more of the nominal value of the Company's share capital or of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

5. Directors' interests

5.1 The interests of the Directors and their immediate families and of persons connected with them within the meaning of section 1 of the Securities Law 5728.1968 of Israel in the share capital of the Company as at the date of this document, which have been notified to the Company, and as they are expected to be immediately following completion of the Placing, all of which are beneficial, are as follows:

	Number of Ordinary Shares both before and after the Placing	Percentage of issued share capital after the Placing
G. Beres (and immediate family)	11,475,090	36.72
Dr Z. Marom	11,025,090	35.2

D Goldman will subscribe for 80,000 Placing Shares.

Except as disclosed in this paragraph, none of the Directors nor any member of their respective immediate families nor any person connected with them within the meaning of section 1 of the Securities Law 5728-1968 of Israel is interested in any share capital of the Company. Details of a voting agreement between Mr Beres and Dr Marom are set out in paragraph 13.8 below.

5.2 Except for the deeds of indemnity, set out in paragraph 13.9 below, no loan or guarantee has been granted or provided by the Company to any Director.

6. Directors' service agreements

6.1 (i) Gershon Beres has entered into a contract with the Company for his services, which provides that he will continue to serve as a non-executive director and chairman of the Company for a fee of US$7,500 per annum which will accrue on a monthly basis. Mr Beres will be entitled to receive additional fees at the rate of US$1,000 per day for attendance at any meeting of the Board or any committee of the Board. The agreement is effective from 23 June 1996 and will be for an initial term of two years, subject to earlier termination by the Company on summary notice in certain limited circumstances. Thereafter the agreement is terminable on not less than three month's notice from either party or in certain limited circumstances on summary notice.

(ii) David Goldman has entered into a contract with the Company for his services, which provides that he will serve as a non-executive director of the Company for a fee of US$15,000 per annum which will accrue on a monthly basis. Mr Goldman will be entitled to receive additional fees at the rate of US$2,000 per day in respect of his attendance at any meeting of the Board or any committee of the Board in excess of 4 such meetings per annum. The agreement is effective from 1 July 1996 and is terminable on not less than one month's notice by either party or in certain limited circumstances on summary notice.

(iii) Dr Marom has entered into a service agreement with the Company for his services which provides that he will serve as managing director of the Company for a basic salary of US$120,000 per annum. The agreement is effective from 1 July 1996 for a minimum of 3 years and will continue after this date for 2 year periods unless terminated by notice given 6 months prior to the end of the initial three year term or any renewal period. He will receive a bonus equal to 1.5 per cent. of profits as defined below. If the profits in any year exceed the profits reached in the previous year by 50 per cent. or more, Dr Marom will be entitled to a bonus equal to 2.5 per cent. of the profits and, if the profits exceed the previous year's profits by 100 per cent. or more, he will be entitled to a bonus equal to 3.5 per cent. of the profits.

"profits" mean the consolidated profits before tax, as shown in the audited consolidated profit and loss account of the Company for each relevant year, excluding capital gains.

Additionally Dr. Marom will be entitled to subscribe for an additional 450,000 shares in the Company in accordance with the terms of the Share Option Scheme.

(iv) Jacob Rosen has entered into a service agreement with the Company for his services as deputy managing director of finance (chief financial officer) and will receive a salary of 14,500 NIS (gross) per month. In addition he is entitled to the usual social benefits, which includes a pension, company car and 18 days holiday per year which increases in accordance with tenure. The contract can be terminated in the first two years by either party giving the other one month's prior notice.

(v) Yaakov Be'ery has entered into a contract with the Company for his services, which provides that he will serve as a non-executive director of the Company for a fee of US$7,500 per annum which will accrue on a monthly basis. Mr Be'ery will be entitled to receive additional fees of US$1,000 per day for attendance at any meeting of the Board or any committee of the Board. The agreement is effective from 23 June 1996 and is terminable on not less than one month's written notice from either party or in limited circumstances on summary notice.

6.2 According to the Companies Ordinance [new version] 5743 – 1983 ("Ordinance"), officers, including directors, of a company may not be present and may not vote in discussions of the board or the audit committee of the board, if such a committee exists, on the approval of acts or contracts, either between the company and the officer or between the company and another person, in which such officer has a direct or indirect personal interest. "Personal interest" is defined in the Ordinance as including the personal interest of the officer's relative or the interest of another body corporate in which the officer or his relative is an interested party.

The Ordinance stipulates that the terms of employment of directors must be approved first by the audit committee, then by the board and finally by a shareholders' meeting. If there is no audit committee, such terms of employment must be approved first by the board and then by a shareholders' meeting.

6.3 Under the arrangements in force at the date of this document, the aggregate remuneration, including all benefits in kind and social contributions, of the Directors for the financial period ended 31 December 1995 was US$82,000 and for the financial period ending 31 December 1996 is estimated to be US$215,000.

6.4 Except as disclosed in paragraphs 8 and 13 below, none of the Directors has any interest in transactions effected by the Company since its incorporation which are unusual in their nature or conditions which are or were significant to the business of the Company.

6.5 None of the Directors has entered into any arrangement under which he has waived or agreed to waive any future emoluments.

7. Details of directorships

7.1 The Directors have held the following directorships within 5 years prior to the publication of this prospectus:

G. Beres:

G. Beres Limited; G. Beres Marketing (1983) Limited; B.T.T. - Beres Communication Technologies Limited; Bat-Net Communication Networks Limited; B.A.T.M. Real-Estate (1994) Limited.

Dr Z. Marom:

B.A.T.M. Real-Estate (1994) Limited.

G Beres and Dr Marom are both directors of B.A.T.M. Advanced Technology and Marom Limited which is in the process of a members' voluntary winding up.

D. Goldman:

The SAGE Group plc, Sagesoft Limited, Sky Software Limited, SAGE Finance Limited, SAGE Overseas Limited, Yorkshire Business Forms Limited, Bangquote Limited, Remote Control International Inc, DacEasy Inc, British Accounting Software Developers Association Limited, Business Link Tyneside Limited, Multisoft Financial Systems Limited, Ciel SA, Saari SA, Tyneside Training & Enterprise Council, Sage US Inc.

D. Goldman was a director of Crown Colour Printing Limited and Campbell Graphics Limited, both of which went into creditors' voluntary liquidation on 26 April 1985.

Y. Be'ery:

Neviot Limited

J. Rosen:

None

Except as disclosed above, no Director has:

7.1.1 any unspent convictions;

7.1.2 had a bankruptcy order made against him;

7.1.3 been a director of a company which has been placed in receivership or liquidation whilst he was a director of that company or within the 12 months after he ceased to be a director of that company; or

7.1.4 been publicly criticised by any statutory or regulatory authority.

8. Transactions with G.Beres Marketing (1983) Limited

8.1 The following transactions were carried out between BATM, one of its subsidiaries and G.Beres Marketing (1983) Limited a company controlled by G. Beres:

8.1.1 BATM previously purchased goods or products from G.Beres Marketing (1983) Limited.

8.1.2 G.Beres Marketing (1983) Limited was a non-exclusive distributor in Israel for BATM products.

8.1.3 G.Beres Marketing (1983) Limited was previously a supplier to BatNet.

8.1.4 G.Beres Marketing (1983) Limited provides accommodation at its premises for BatNet and BTT as well as for the accounts department of BATM.

8.1.5 BATM previously had a facility in Nesher which it no longer occupies. The lease, prior to termination, was held by G.Beres Marketing (1983) Limited and terminated in October 1994 when BATM moved its operations to Yokneam.

8.1.6 Until June 1994 the offices of BATM were at the premises of G.Beres Marketing (1983) Limited.

8.1.7 BATM presently has a small warehouse in the premises of G.Beres Marketing (1983) Limited.

9. Share Ownership Plan

The Company has established an employee share ownership plan ("Plan") the principal terms of which may be summarised as follows:—

9.1 A total of 1,239,840 ordinary shares of 0.10 NIS each ("Plan Shares") of the Company have been issued and allotted to the trustee of the Plan ("Trustee") to be held on trust for the full time employees, including any executive director of the Company or any subsidiary, as defined in section 1 of the Israel Securities Law, 5728 1968, ("Eligible Employees"). The Board has the discretion to offer such number of the Plan Shares as it may see fit to any Eligible Employee at a subscription price, which may not be lower than the par value, to be determined by the Board and subject to any performance criteria or conditions required to be fulfilled by the offeree as a condition of transfer of the shares to him or her pursuant to the Plan ("Condition of Release") and any conditions as to the earliest date or dates on which the beneficial ownership of any Plan Shares may be transferred to him or her absolutely ("Date of Release") which may be set by the Board. Any offer to an Eligible Employee is open for acceptance in whole or in part for up to 21 days and must be accompanied by payment of the subscription price.

9.2 The par value of the shares allotted to the Trustee were granted by the Company as an interest free loan to the Trustee ("Loan") except that the outstanding part of the Loan from time to time shall be deemed to increase in direct proportion to and at the time of any increase in the Israeli Consumer price index over the level of such index at the date on which the Plan Shares are issued and allotted to the Trustee.

9.3 Where all or part of the Company's share capital is listed on the London's Stock Exchange's official list or is dealt in on the Alternative Investment Market offers of participation in the Plan cannot be made during the two calendar months immediately preceding the announcement of either the half yearly or annual results of the Company to the London Stock Exchange or at any other time when directors of the Company are prohibited in dealing with the shares under the AIM model code.

9.4 Upon acceptance, shares accepted will be revocably appropriated to the Eligible Employee who has accepted such shares ("Participant") and held by the Trustee until the Date of Release and all the Conditions of Release have both been met. The accepted shares shall rank pari passu in all respects with the other issued shares of the Company, except for any rights attached to the shares by reference to a record date preceding the date on which the shares are so appropriated.

9.5 In the event that the Participant ceases to be an Eligible Employee for any reason, commits any material breach of the terms and conditions of his employment with the Company or any subsidiary, commits any act of misconduct or dishonesty during the course of his employment or otherwise acts in a manner which may in the reasonable opinion of the Board damage the Company's reputation or otherwise cause the Company to suffer any loss, the beneficial ownership of any shares held by the Trustee on trust for that person will revert to the trust held for the Eligible Employees as a whole, provided that the relevant Participant shall be entitled to reimbursement of the subscription price, as increased by reference to the rise, if any, in the Israeli consumer price index between the date of appropriation and the date on which the beneficial ownership of the shares reverts to the Eligible Employee.

9.6 The Board may amend the Plan in any respect, except that no amendment may be made to the Plan which would alter to the disadvantage any rights already accrued to a Participant unless his prior written consent is given and no increase may be made in the number of Plan Shares issued and allotted to the Trustee except with the sanction of an ordinary resolution of the Company's shareholders meeting.

10. Share Option Scheme

The Company has established a Share Option Scheme, the principal terms of which may be summarised as follows:—

10.1 The Share Option Scheme provides for the grant of options and super options at the absolute discretion of the Board to selected employees, directors of the Group or service providers selected by the Board ("Eligible Employees"). The provisions of paragraphs 10.7 and 10.8 do not apply to options granted to service providers.

10.2 Where all or part of the Company's share capital is listed on the London Stock Exchange's Official List or is traded on the Alternative Investment Market, offers of options to Eligible Employees cannot be made during the two calendar months immediately preceding the announcement of either the half yearly or annual results of the Company to the London Stock Exchange.

10.3 An offer of an option must be accepted in writing within 21 days and will otherwise lapse and is personal to the Eligible Employee.

10.4 On the exercise of an option, the amount payable for each share is the value which the Board may in its absolute discretion decide, provided that it is not lower than the par value of the share ("Subscription Price").

10.5 The aggregate number of unissued shares over which options may be granted under the scheme on any date of grant is limited, except as provided in paragraph 10.6, so that:—

10.5.1 at any time it must not exceed five per cent. of the ordinary share capital of the Company then in issue, when aggregated with the number of shares issued and remaining issuable in respect of rights granted (other than super options) within the previous ten years under the scheme and any other option scheme (other than a savings related share option scheme) operated by the Company or any associated company including the options granted to R. Be'ery referred to in paragraph 2.13 above;

10.5.2 at any time it must not exceed ten per cent. of the ordinary share capital of the Company then in issue when aggregated with the number of shares issued or remaining issuable in

16. Amendment to the Ordinance

Under the second amendment to the Ordinance, which became effective in 1987 ("Amendment"), Israeli companies in which the public hold shares are required to appoint at least two independent directors ("Independent Directors") who have been approved by a statutory committee consisting of the Chairman of the Israeli Securities Authority, the Chairman of the Tel Aviv Stock Exchange and a member of the Israeli judiciary who acts as chairman of the committee ("Committee"). The Ordinance details certain standards for independence of these directors. The law imposes an obligation on the Independent Directors to report infringements of law and good business practice as well as improper conduct to the chairman of the board of the company and in some cases to the Israel Securities Authority.

The District Court of Tel Aviv ruled on 6 June 1993 that companies registered under the laws of Israel whose shares have been offered to the public outside Israel (such as BATM) are also required to comply with the requirements of the Amendment. However, this judgment was stayed by the Israel Supreme Court in October 1993, pending appeal of the District Court's decision. If the District Court's decision is affirmed by the Supreme Court, BATM will be obliged to designate and apply to the Committee for the approval of 2 Independent Directors and will be obliged to appoint an internal auditor.

17. Israeli taxation and Foreign Exchange Regulations

The following is a brief outline of certain Israeli tax laws which apply to the Company and its shareholders. The consequences for any particular investor may differ from those described below by reason of that investor's particular circumstances.

This outline is not intended to replace legal or professional tax advice and is intended only as a general guide. In considering their tax position, potential investors should consult with their own tax adviser as to their own particular tax position in respect of the purchase, ownership and sale of the Company's shares, including effects of applicable state, local, foreign or other tax laws and possible changes in the tax laws.

17.1 General corporate tax structure

In general, Israeli companies are currently subject to "Company Tax" at the rate of 36 per cent. of taxable income.

17.2 Approved enterprises

The Investment Law for the Encouragement of Capital Investments, 5719 1959 ("Investment Law") provides that capital investments in certain production facilities may, upon application to the Investment Centre, be designated as an "approved enterprise" under the Investment Law. In general, the "approved enterprise" status entitles a company to tax benefits or government grants or a combination of them.

Taxable income derived from an "approved enterprise" is subject to company tax at the maximum rate of 25 per cent.. This rate may be further reduced for what is known as a "Foreign Investors' Company" to as low as 10 per cent. Dividends paid out of income derived from an "Approved Enterprise" generally are subject to withholding tax at a rate of 15 per cent, compared to the general rate of 25 per cent.

The tax benefits are granted for the duration of the "Benefit Period", see below in respect of the "Benefit Period" granted to the Company. The Benefit Period begins in the year in which the "approved enterprise" first generates taxable income. In any event the Benefit Period elapses upon the earlier of:

(a) 12 years from the date on which production or operations are determined by the Investment Centre to have commenced; and

(b) 14 years from the date on which approval from the Investment Centre is granted.

In addition to the reduced company tax rate described above, an "approved enterprise" may be entitled to a grant from the government of Israel for investments in its fixed assets. A company that receives an "approved enterprise" status may, however, elect to forgo any entitlement to the grants otherwise available under the Investment Law and in lieu to participate in an "Alternative Benefit Program" under which it may receive a full tax exemption on its undistributed income during the "Benefit Period".

The Company's manufacturing facility was granted an "approved enterprise" status in 1992 and several subsequent investments relating to the facility were approved by the Investment Centre during the period from 1992 to 1995. The Company elected to participate in the "Alternative Benefit Program" under which it received a full tax exemption on its undistributed income during its "Benefit Period". The Company was granted an eight year Benefit Period which commenced in 1992.

If the Company distributes dividends out of tax-exempt profits of the "approved enterprise", it will be obliged to pay company tax on distributed profits at the rate which would have been applicable had it not elected to participate in the "Alternative Benefit Program" (25 per cent.). In addition, dividends paid out from tax exempt profits will be subject to withholding tax at a rate of 15 per cent.

The tax benefits derived from an "approved enterprise" relate only to taxable income attributable to such "approved enterprise" and are conditional upon the fulfilment of the conditions in the Investment Law, any regulations made under it and the criteria in the certificate of approval granted by the Investment Centre. If the Company fails to comply with these conditions, the tax benefits can be cancelled in whole or in part. To the best of the Company's knowledge and belief, it operates in compliance with all the "approved enterprise' conditions and criteria applicable to it. There can be no assurance, however, that the Company's facility will continue to so operate or that the benefits under the "approved enterprise" will continue or be applicable in the future.

17.3 Law for the Encouragement of Industry (Taxes). 5729 - 1969

The Company currently qualifies as an "Industrial Company" within the definition of the Law for the Encouragement of Industry (Taxes), 5729 - 1969 ("Industry Encouragement Law"). Pursuant to the Industry Encouragement Law, an "Industrial Company" is a company which:—

(a) is resident in Israel;

(b) at least 90 per cent. of the income of which in any tax year, determined in Israeli currency, exclusive of income from defence loans, capital gains, interest and dividends is derived from an "Industrial Enterprise" owned by it. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is in industrial production activity.

An Industrial Company is entitled to certain tax benefits such as: depreciation of know-how and patents (over an eight year period), ability under certain conditions to elect to file a consolidated tax return with additional Industrial Companies and accelerated depreciation rates on machinery, equipment and buildings.

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. No assurance can be given that the Company will continue to qualify as an "Industrial Company" or that the benefits described above will be available in the future.

17.4 Capital Gains Tax

Israeli law imposes a capital gains tax on the sale of capital assets, including the sale of shares in the Company. The law distinguishes between "real gain" and "inflationary surplus". "Real gain" is the excess of the total capital gain over the inflationary surplus, computed on the basis of the increase in the Israeli Consumer Price Index between the date of purchase and the date of sale. Inflationary surplus accumulated until 31 December 1993 is taxed at a rate of 10 per cent. for residents of Israel, reduced to nil taxation for non- residents if calculated according to the exchange rate of the dollar instead of the Consumer Price Index. Real gain is added to ordinary income, which is taxed at the applicable ordinary rates for individuals and 36 per cent. for corporations. Inflationary surplus accumulated from and after 31 December 1993 is exempt from any capital gains tax.

Under current law, the Ordinary Shares are exempt from Israeli capital gains tax so long as:

(a) shares are listed on a stock exchange recognized by the Israeli Ministry of Finance; the Official List or Alternative Investment Market of the London Stock Exchange or which qualify as such

(b) the Company qualifies as an Industrial Company.

There can be no assurance that the Company will maintain such a listing or qualification.

17.5 Taxation of Non-Residents

Non-residents of Israel are subject to income tax on income derived from sources in Israel. In general, dividends, other than in the form of bonus shares, are subject to withholding tax at the rate of 25 per cent. reduced to 15 per cent. for dividends distributed out of profits generated by an "approved enterprise". These rates may vary if a different rate is provided in a double taxation treaty between Israel and the shareholder's country of residence. Under the tax treaty between Israel and the United Kingdom, the maximum tax on dividends paid to a holder of Ordinary Shares who is a resident of the United Kingdom will be 15 per cent., subject to various conditions. As previously noted under the Investment Law, however, dividends generated by an "approved enterprise" are taxed at the rate of 15 per cent.

17.6 Foreign Exchange Regulations

Non-residents of Israel who subscribe for Ordinary Shares under the Placing in pounds Sterling or other foreign currency will be entitled to convert dividends, if any, paid by the Company, and any amounts payable upon the liquidation or winding up of the Company, as well as the proceeds of any sale in Israel of Ordinary Shares to an Israeli resident, into the currency in which they purchased the Ordinary Shares at the rate of exchange prevailing at the time of conversion, provided certain requirements under the Israeli Currency Law, 5738-1978 ("Currency Law") are met or pursuant to a specific permit obtained by such shareholder under the Currency Law.

Additionally, a non-resident of Israel is entitled to open a non-resident bank account in Israel into which dividends distributed by the Company may be deposited.

Israeli residents are eligible to purchase securities outside Israel if they are listed on a foreign stock exchange in any of the countries specified in the regulations promulgated under the Currency Law. Great Britain is included in such regulations. Such investments must be effected through an Israeli commercial bank.

Under applicable currency control regulations, the proceeds of a public offering outside Israel must be transferred to Israel. A special permit from the Controller of Foreign Exchange will be required to retain any part of these funds out of Israel.

18. Other information

18.1 The financial year of the Company ends on 31 December.

18.2 There are no significant investments by the Company in progress except as set out in Part Four of this document.

18.3 No exceptional factors have influenced the Company's activities.

18.4 The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in Schedule 1 of the Regulations is £7,000,000, which is intended to be applied as follows:—

18.4.1	the purchase of property	£1,830,000
18.4.2	preliminary expenses and expenses of the Placing	£620,000
18.4.3	repayment of money borrowed in respect of 18.4.1 and 18.4.2 above	—
18.4.4	working capital including marketing expenses of geographical expansion	£2,050,000
18.4.5	funding for acquisitions	£2,500,000

18.5 In the event that the minimum subscription is not achieved, the conditions of the Placing not satisfied or applications are unsuccessful, such funds will be returned to applicants as soon as reasonably practicable.

18.6 The expenses of the Placing are estimated at £660,000, excluding recoverable VAT, of which £423,000 are attributable to the UK and £237,000 to Israeli costs, including success-related fees for preparation of the Company for flotation, and are payable by the Company, leaving estimated maximum net proceeds of £7,340,000.

18.7 BDO Stoy Hayward, Chartered Accountants, have given and not withdrawn their written consent to the issue of this prospectus with the inclusion in it of their report and letter and references to their name in the form and context in which they respectively appear.

18.8 Almagor & Co CPA (ISR), Chartered Accountants, have given and not withdrawn their written consent to the issue of this prospectus with the inclusion in it of their report and letter and references to their name in the form and context in which they respectively appear.

18.9 Shore Capital and Shore Capital and Corporate have given and not withdrawn their written consent to the issue of this prospectus with the inclusion in it of references to their names in the form and context in which they respectively appear.

18.10 Except as disclosed in this prospectus, there has been no significant change in the financial or trading position of the Company since the end of its last completed financial year.

18.11 It is expected that certificates in respect of the new Ordinary Shares will be despatched by post to shareholders, at their own risk by 16 July 1996.

18.12 The Placing price of 125p per Ordinary Share represents a premium of 123p over the nominal value of NIS 0.10 of each Ordinary Share.

18.13 The financial information relating to the Company contained in this prospectus does not comprise statutory accounts for the purposes of section 240 of the Act.

19. Documents available

Copies of the following documents will be available for inspection during normal business hours on any weekdays, Saturdays and public holidays excepted, at the offices of Fladgate Fielder at Heron Place, 3 George Street, London W1H 6AD for 14 days from the date upon which the Ordinary Shares are admitted to trading on AIM:—

(a) the memorandum and articles of association of the Company;

(b) the letter and report from BDO Stoy Hayward and Almagor & Co CPA set out in Part Two and Part Three;

(c) the service agreements referred to in paragraph 6.1 of this Part Four;

(d) the material contracts referred to in paragraph 13 of this Part Four; and

(e) the written consents of BDO Stoy Hayward, Almagor & Co., Shore Capital and Corporate and Shore Capital referred to in paragraph 18 of this Part Four.

3 July 1996

Regulatory Story

Go to market news section

BATM Advanced Communications Ld - BVC Annual Financial Report - DTR 6.3.5 Disclosure
Released 07:00 24-Apr-2019

RNS Number : 8664W
BATM Advanced Communications Ld
24 April 2019

LEI: 213800FLQUB9J289RU66

24 April 2019

BATM Advanced Communications Limited
("BATM", the "Group" or the "Company")

ANNUAL FINANCIAL REPORT - DTR 6.3.5 Disclosure

Following the release on 6 March 2019 of the Group's Preliminary Results Announcement for the financial year ended 31 December 2018 (the "Preliminary Announcement"), BATM announces that the 2018 Annual Report and Accounts have been published today. These documents have been made publicly available on the BATM website (www.batm.com). The annual report can be found in the Investor Relations section under Financial Reports. The direct link is http://www.batm.com/investor-relations/financial-statements/

In compliance with 9.6.1 of the Listing Rules, a copy of the 2018 Annual Report and Accounts will shortly be available for inspection at the UK Listing Authority's National Storage Mechanism website: http://www.morningstar.co.uk/uk/NSM.

The primary purpose of this announcement is to inform the market about the publication of the Company's Annual Report and Accounts for the year ended 31 December 2018 (the "2018 Annual Report and Accounts").

The information below, which is extracted from the 2018 Annual Report and Accounts, is included solely for the purpose of complying with DTR 6.3.5 and the requirements it imposes on issuers as to how to make public annual financial reports. It should be read in conjunction with the Group's Preliminary Announcement. Together these constitute the material required by DTR 6.3.4 to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full 2018 Annual Report and Accounts. References to page numbers and notes to the accounts set out in the Appendices below refer to page numbers and notes to the accounts in the Group's 2018 Annual Report and Accounts.

The Preliminary Announcement includes an indication of the important events that occurred during the year and a condensed set of the financial statements.

The Group's auditor has reported on the accounts and its reports are unqualified. The Independent Auditor's Report on the Group financial statements is set out in full on pages 36-39 of the 2018 Annual Report and Accounts.

APPENDIX A - DIRECTORS' RESPONSIBILITY STATEMENT

The 2018 Annual Report and Accounts contain a responsibility statement in compliance with paragraph 4.1.12 of the DTR. The directors' responsibility statement is set out on page 17 of the 2018 Annual Report and Accounts for the Group. This statement is set out below in full and unedited text.

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

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

Directors are also required to:

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

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

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

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

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
3. the annual report and financial statements, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

APPENDIX B - RISKS AND UNCERTAINTIES

The principal risks and uncertainties are set out on page 13 of the 2018 Annual Report and Accounts. The full and unedited text relating to these disclosures are set out below:

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

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

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

- Ends -

Enquiries

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Annual Financial Report - DTR 6.3.5 Disclosure - RNS

Annual Report and Accounts

for the year ended 31 December 2018

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Directors, Secretary & Advisers

Directors

Dr. Gideon Chitayat – Non-Executive Chairman
Dr. Zvi Marom – Founder & CEO
Moti Nagar – Executive Director & CFO
Harel Locker – Non-Executive External Director & Senior Independent Director
Prof. Ari Shamiss – Non-Executive External Director
Prof. Varda Shalev – Non-Executive External Director

Registered Office

P.O.B. 7318, Neve Ne'eman Ind. Area, 4 Ha'harash Street, 4524075 Hod Hasharon, Israel

Company Number

520042813 – Registered in Israel

Auditors

Brightman Almagor Zohar & Co.
a member firm of Deloitte Touche Tohmatsu, 1 Azriely Center, Tel-Aviv 67021, Israel

Financial Adviser & Stockbroker

Shore Capital, Bond Street House, 14 Clifford Street, London W1X 1RE, UK

Legal Counsel in Israel

Lipa Meir & Co., Beit Amot Hashkaot, 2 Weitzman Street, Tel-Aviv 64239, Israel

Legal Counsel in UK

Fladgate LLP, 16 Great Queen Street, London WC2B 5DG, UK

Bankers

Bank Hapoalim, 45 Hamelacha Street, Netanya, Israel
Bank Leumi, 7 Menahem Begin Street, Ranat-Gan, Israel

Company Secretary

Mr. Arthur Moher, Lipa Meir & Co.

Registrar

Link Asset Services, The Registry, 65 Gresham Street, London EC2V 7NQ, UK

Financial PR Consultants

Luther Pendragon, 48 Gracechurch Street, London EC3V 0EJ, UK

Financial & Operational Summary

Group revenue increased to
$119.6m
(2017: $107.1m)

Adj. operating profit* of
$2.6m
(2017: $0.1m**)

As at 31 December 2018, the Group had cash and financial assets of
$24.4m
(30 June 2018: $23.3m; 31 December 2017: $24.0m)

Gross profit of
$34.5m
(2017: $32.7m)

Adj. EBITDA of
$4.9m
(2017: $2.2m**)

Earnings per share of
0.09¢
(2017: 0.06¢)

Gross margin of
28.8%
(2017: 30.6%)

Cash from operating activities of
$2.6m
(2017: $0.1m)

* This report includes Other Alternative Measure of adjusted operating profit. For a reconciliation of this measure to the IFRS please refer to page 12

** The 2017 figures are adjusted to exclude the exceptional capital gain from the sale of a property

Bio-Medical Division (52% of total revenue)

- **Revenue increased by 8.2% to $62.1m (2017: $57.4m)**
- **Blended gross margin of 25.0% (2017: 25.8%)**
- **Diagnostics Unit**
  - Launched new molecular biology diagnostics Adaltis product line, with first orders delivered
  - Achieved first sales of new highly-compact metabolism testing analyser, Hemo One
  - Advanced engineering of NATlab, a rapid-results molecular diagnostics system being developed through the Ador joint venture, and post period signed a conditional investment agreement for up to $30m to provide additional funds for commercialisation
- **Eco-Med Unit**
  - Commenced delivery of new ISS 500, with six units deployed to customers in the US and elsewhere
  - Progressed installation of the Group's large solution for treating agricultural waste at a bovine slaughterhouse, which was completed post period
  - Delivered first mobile agri-waste treatment unit and customer commenced in-field testing
  - Post period, signed first agri-waste treatment customer outside of Israel with $1.5m contract from major food manufacturing group in the Philippines

Bio-Medical Division (52% of total revenue) *continued*

- **Distribution Unit**
  - Strong revenue increase from its contract with a large medical facility in Moldova for Roche diagnostic instruments and reagents, which are exclusively distributed by the Group
  - Invested to expand activities and capabilities of its laboratories:
    - Commenced providing diagnostic tests at genetics laboratory in Bucharest, including pre-natal and cancer diagnostics, and expanded capabilities at analytical laboratory in Timisoara, Romania
    - Introduced new cancer diagnostics tests in Israel through Zer Laboratories; post period received regulatory approval to offer further molecular genetics tests

Networking and Cyber Division (48% of total revenue)

- **Revenue increased by 16.4% to $57.5m (2017: $49.4m)**
- **Blended gross margin of 33.6% (2017: 36.4%)**
- **Networking Unit**
  - Substantial progress in implementing Software Defined Networking ("SDN")/Network Function Virtualisation ("NFV") strategy:
    - Signed Strategic Investment and Multiyear Joint Development Agreement with Arm® to develop new Arm-compatible NFV ecosystem, which was enhanced with Arm's launch of its Neoverse™ architecture. By working with Arm, the Group's NFVTime is the first and only NFV platform to run on both x86 (Intel) and Arm
    - Conducted successful NFV proof-of-concept trials with various tier 1 and 2 customers worldwide
    - Established a partnership to provide NFVTime uCPE software on the white box appliances of Lanner Electronics, a leading global supplier in network communication platforms, and commenced sales
    - Introduced new hardware/software agnostic Virtual Network Functions to the market in partnership with FatPipe Networks, a leading provider of Software-Defined Wide-Area Networks
  - Strong growth in sales of ICT services and solutions:
    - Sustained increase in revenue recognised under framework agreement awarded in 2017 to provide ICT services and solutions to an agency of a government defence department
    - Commenced sales of T-Metro 8100 aggregation platform, which has been adopted and fully implemented by numerous communication service providers in North America and elsewhere, such as Kenya's national research and education network, KENET
- **Cyber Unit**
  - Awarded approximately $7m by a government defence department, under two contracts, to supply enhanced cyber communication technology solutions; post period, the Group received further orders worth $6.5m from this customer
  - Engaged in several proof-of-concept trials, which BATM expects to translate to sales in 2019

Strategic Report

CHAIRMAN'S STATEMENT

On behalf of BATM's Board of Directors, I am delighted to report that BATM has had a strong year in 2018, in which we continued to deliver excellent results for our shareholders. BATM's Executives continue to pursue opportunities and optimise our corporate strategy to create long-term value for you, our valued shareholders.

A Transformational 2018

BATM has gone through a transformational year following a period of significant investment and the continued implementation of our strategy. We have created a strategy that builds on past achievements, which has resulted in a substantial improvement in BATM's 2018 results. This reflects the key pillar of our strategy: investing in the future of our businesses, while giving considerable attention to mitigating risk.

Our experienced management, including the Executive Team and the heads of the business units, deserve the credit for steering the group through this period and delivering the financial results set out in this Annual Report. It is gratifying to note that the hard work that has gone into this performance has been recognised by the impressive rise in the company's share price – which increased almost 80% over the course of the 2018. This is possible by delivering on our main objective of providing our clients with what they need at the highest possible quality, and that objective goes across all our lines of business globally.

During 2018, we met the targets we set ourselves in terms of winning customers, securing contracts and moving into new territories.

We continued to build on the solid base of growth we have established in the Networking & Cyber and Bio-Medical divisions. The operational progress made in the two divisions resulted in an 11.6% rise in group revenues to $119.6m. It was particularly pleasing to see adjusted EBITDA increase to $4.9m, up from $2.2m in the previous year, and cash from operations of $2.6m compared with $0.1m last year.

BATM is a well-established business operating in large, growth markets across both divisions and we are receiving increasing demand for our new products and solutions and significant interest in those soon-to-be launched.

Bio-Medical Division

It was another strong year for the Bio-Medical division, with increased revenues driven by growth in the Distribution unit. It was lifted by a contract to deliver instruments to a medical facility in Moldova and expansion of activities at our laboratories in Romania.

Eco-Med showed its potential upside with good progress on agricultural waste projects, including delivery of the first mobile unit, and deployment of the new ISS 500 medical waste treatment units in the US and elsewhere.

In Diagnostics, there was further progress on the Ador joint venture developing the NATlab diagnostics system. It passed a significant milestone, post period, with a conditional agreement for an investment of up to $30m towards commercialisation, demonstrating its potential value and de-risking BATM's investment.

Ador's potential markets are large. Global Market Insight's report, "Molecular Diagnostics Market Report, 2024", predicts that the molecular diagnostics market alone is expected to reach $12.5bn by 2024, up from $7.2bn in 2017.

Networking & Cyber Division

The benefits of long-term contractual relationships with government and blue-chip customers were reflected in increased revenues and adjusted operating profits in the Networking & Cyber Division.

It was a year of substantial progress in implementing our strategy in the networking unit with the signing of a strategic partnership with Arm to develop our NFVTime operating system to enable a full ecosystem of Virtual Network Function services that are optimised to run on Arm's architecture. There was also strong growth in sales of ICT services.

The Cyber unit secured a number of contracts from a government defence department and continued work on the enhancement of the T-Sense platform ahead of a new product package launch expected in 2020.

Corporate

At the Board, we welcome two new Non-Executive Directors – Prof. Varda Shalev and Prof. Ari Shamiss – who bring with them tremendous experience and expertise. I would like to extend my thanks to both Ms. Orna Pollack and Prof. Avigdor Shafferman for their hard work and insight during their time on the Board. 2018 was a busy year for the Board, and I am grateful to all my fellow directors for the dedication and expertise they have contributed to the Board in 2018.

Our 2018 growth would not have been achieved without the great efforts of Dr. Zvi Marom, our CEO, Mr. Moti Nagar, our CFO, and our entire Executive Team. I would like to take this opportunity to say many thanks to every one of our managers and employees around the globe for their dedication and commitment. As ever, I would also like to mark our appreciation of our loyal shareholders and their ongoing support.

Going forward, BATM's Executives will continue to pursue opportunities to stay at the forefront of the ever-evolving marketplace. We remain committed to creating substantial value for our shareholders in the years to come and over the long term, and I look forward to reporting on our continued progress.

Dr. Gideon Chitayat
Chairman
23 April 2019

CHIEF EXECUTIVE OFFICER'S REVIEW

These full year results are very significant in the history of BATM. They not only reflect the excellent operational results achieved this year but also provide a guide to what we are capable of in the next few years. The investments we have been making in our businesses have enabled us to produce differentiated and best-in-class products that are now entering the commercialisation phase. Specifically, during the year, in the Networking and Cyber division, we established a partnership with Arm to develop an NFV ecosystem based on their Neoverse architecture – becoming the only worldwide software vendor to provide NFV functionality to Arm and Intel platforms. We continued to deliver under our significant ICT contract with a government department and gained strong traction in sales of our new T-Metro 8100 aggregation platform in North America and elsewhere. Over the past 14 months, our Cyber unit has won contracts totalling more than $13.5m and we anticipate further wins in 2019.

In the Bio-Medical division, our Diagnostics and Eco-Med units took large steps forwards with the launch and initial sales of new systems and advancing the development of others, and we will see growth in these businesses in 2019. Post period, we entered a significant investment agreement for the commercialisation of the molecular biology-based solutions being developed by Ador Diagnostics, which also demonstrates the inherent value within our IP.

As a result, total Group revenue grew by 11.6% to $119.6m (2017: $107.1m), of which the Bio-Medical division accounted for 51.9% with the contribution from the Networking and Cyber division being 48.1%. This translated to a significant increase in cash generated by operating activities, which was $2.6m compared with $0.1m in 2017, and in earnings per share.

Now to look at each division in more detail.

Bio-Medical Division

Revenue for the Bio-Medical division increased 8.2% to $62.1m (2017: $57.4m), with a particularly strong second half of the year, including achieving an operating profit for H2 2018. For the full year, the division generated the same operating loss as the prior year despite the higher revenue and margins being constant due to currency fluctuations having a positive impact on the reported revenue, but an immaterial effect on the operating profit.

Distribution

The Distribution unit accounted for 81% of the Bio-Medical division's revenues in 2018 compared with 74% in 2017, reflecting a significant increase in sales of 18.7%.

A significant contributor to this growth was delivery under a contract signed at the beginning of the year with a large medical facility in Moldova for the supply of Roche instruments and reagents. We provide these products under an exclusive distribution agreement with Roche in this territory.

During the year, we expanded the activities of our two laboratories in Romania that commenced operation in 2017. We introduced new analytical tests at the laboratory in Timisoara and commenced the provision of diagnostic tests at the newly-built genetics laboratory in Bucharest through the acquisition of an Illumina machine to run Non-Invasive Prenatal Testing (NIPT) tests as well as offering cancer diagnostic tests.

In Israel, our Zer Laboratories subsidiary introduced new diagnostic tests for pregnancy and cancer, mostly in collaboration with US-based companies, which have been well received in the market. We invested to expand the local laboratory capabilities with new equipment able to perform next-generation genetics tests for the Israeli market, and provided initial screening tests with this new technology. Post period, an important milestone was achieved with the receipt of regulatory approval for Zer Laboratories to be able to offer further pre-natal genetics tests – becoming one of only two private laboratories in Israel able to provide these tests.

Eco-Med

The Eco-Med unit accounted for 9% of the Bio-Medical division's revenues in 2018 compared with 13% in 2017. This reflects a reduction in the unit's revenues as a result of the project-based nature of much of the Eco-Med activity whereby the timing of revenue recognition of large projects can impact the reported sales.

Agri-waste treatment

During the year, we progressed the installation of our large solution for treating agricultural waste at a bovine slaughterhouse, including optimising the process to enable it to operate at full capacity for 16 hours a day. Delivery was completed post period end and we will recognise the revenue from this significant project during the first half of 2019.

We delivered our first mobile agri-waste treatment unit, which was purchased to enable the safe disposal of mass poultry affected by disease and illness, and the customer commenced in-field testing with positive initial results.

Post period, as announced on 5 March 2019, we won our first project for our agri-waste treatment solution outside of Israel with a contract with a company that is part of a major food manufacturing group in the Philippines. The contract is for the supply and installation of our agri-waste treatment solution at a poultry processing facility, which is expected to be delivered in 2019. It is worth approximately $1.5m (€1.33m), with 40% paid upon signing.

Medical waste treatment

During the year, we delivered six units of our new ISS 500, with automated reloading system for treating medical waste in hospitals, to customers in the US and elsewhere. We continue to receive significant interest in this product and intend to develop further sales channels.

Diagnostics

The Diagnostics unit represented 10% of the Bio-Medical division's revenues in 2018 (2017: 13%). During the year, we invested in re-organising the Diagnostics unit to enable an automated production process for systems and reagents. This process is expected to be completed around mid-2019.

During the year, we sold the first of our new highly-compact metabolism testing analyser, the Hemo One. The initial sales have been to customers in Europe.

We finalised the development of, and launched, a new molecular biology diagnostics Adaltis product line. The new product line, which is designed to form part of an overall diagnostics process in medium to large laboratories, has been well received and sales commenced during the year with initial orders delivered to customers in Europe.

Progress continued with our Ador joint venture with the Gamida for Life Group, which is developing NATlab, a unique molecular biology sample-to-answer diagnostics solution designed to be able to be used at point-of-care to rapidly identify a specific disease or infection. During the year, we undertook the engineering of the first units and cartridges, which is now in the final stage ahead of in-hospital testing in the US and Europe later this year, with the intention of receiving regulatory approval to enable commercialisation in 2020.

We achieved a significant milestone post period, as announced on 28 January 2019, with the signing of a conditional agreement for an investment of up to $30m to provide additional funds for the commercialisation of NATlab. The majority of this conditional investment – up to $25m – is to be provided by leading medical investors from the US and Puma Brandenburg Investments Ltd. The conditional investment is being made into a new company that owns 100% of Ador and is expected to be invested in two tranches. The initial $14.5m was funded in April 2019 and a further $15.5m is expected by the end of 2020, subject to certain milestones being achieved. Following the initial investment, the new company has a valuation of $45m and BATM has an ownership interest of 38.2%.

Networking & Cyber Division

Revenue increased by $8.1m to $57.5m (2017: $49.4m) and adjusted operating profit for the Networking and Cyber division quadrupled to $3.6m in 2018 (2017: $0.9m). Gross margin for the division was 33.6% (2017: 36.4%), with the reduction due to the significant contribution to revenue from a large government contract that carried a lower gross margin. However, the division's margin in the second half of the year improved over the first half as we commenced recognising revenue under our agreement with Arm. We anticipate further improvement in margin in 2019.

ICT solutions and services

The increase in revenue was driven by delivery under the framework agreement awarded in late 2017, as announced on 4 September 2017, to provide ICT services and solutions to an agency of a government defence department. To date, we have received orders totalling $30.7m under this agreement.

During the year, we commenced sales of our new aggregation platform, T-Metro 8100 – a next-generation, high-density, standalone 100GE services aggregation platform. The product has been well received with sales to several communications service providers that have already implemented the solution. This is primarily to customers in North America, but also elsewhere such as Kenya's national research and education network, KENET.

SDN/NFV solutions

We made significant progress in advancing our SDN/NFV offer and achieved a key milestone by entering into a strategic investment and joint development agreement, valued at over $3m, with Arm, the industry's leading supplier of semiconductor IP; and commenced recognising revenue under the agreement

CHIEF EXECUTIVE OFFICER'S REVIEW *continued*

in the second half of the year. Under this agreement, we are developing a full ecosystem of VNF services that are optimised to run on Arm's architecture and to be used by Arm partners.

We are the only worldwide software vendor to provide NFV functionality to Arm architecture and all Intel platforms. Our open and agile service delivery platform can meet the growing demand from telecom operators and managed service providers for solutions that offer increased performance, flexibility and cost savings on their networks, regardless of their hardware or what they may choose to use.

We conducted successful NFV POCs with various tier 1 and 2 customers worldwide, which we expect to translate to sales in 2019. This was enhanced further with Arm's launch towards the end of the year of its Neoverse architecture, which is its brand and roadmap of technologies to enable a new and transformative cloud infrastructure designed to support the demands of a trillion intelligent devices. We are a platform provider within the Arm Neoverse ecosystem based on our NFVTime virtualisation technology.

We established a partnership with Lanner Electronics, Inc., a leading global supplier in network communication platforms, to provide our NFVTime uCPE software on Lanner's white box appliances as turnkey solutions for telecom equipment manufacturers and service providers, and commenced sales of this solution. We also launched several VNFs under our partnership established during the year with FatPipe Networks, a leading provider of SD-WAN and hybrid WANs. This further expands the NFVTime ecosystem.

Cyber

We made strong progress in our cyber security business, in particular with the government defence department customer that we've been supplying with cyber security products and services since 2017. In 2018, this customer awarded us a contract worth approximately $4m, that was delivered during the year, and a further contract worth approximately $3m that we commenced supplying in 2018 with completion expected during the second half of 2019. Since period end, the customer has awarded us two further contracts worth an aggregate of $6.5m and which are both due to be delivered during 2019. As a result, the total contracted revenue awarded to BATM to date by this customer for products and services for this cyber solution is over $13.5m.

We continued to engage in several POCs, which we believe will translate to sales in 2019. In addition, we conducted development activities to enhance the features of our T-Sense cyber platform, with the new product package expected to be launched in 2020.

Outlook

BATM entered 2019 with a substantially higher order book compared with the equivalent period last year, providing the platform to deliver substantive growth. Both divisions are receiving increasing demand for the newly-launched products and solutions as well as significant interest in those soon-to-be launched that are undergoing final development.

In particular, in the Bio-Medical division, the momentum achieved in the second half of 2018 has continued into 2019. For full year, we expect a substantive turnaround in the Eco-Med unit as operational efficiencies to be introduced in 2019, combined with projected strong revenue growth, are anticipated to move this unit to breakeven. In the Diagnostics unit, we anticipate good growth as take-up of the new molecular biology instruments ramps up throughout the year. The Distribution unit is expected to continue to perform well and remain the largest contributor to the division's revenues.

In the Networking and Cyber division, we are excited about the strong momentum being experienced across our business units in multiple geographies. We anticipate ramping up NFV-related revenue in 2019 with the support of our agreement with Arm and we expect to sign up new customers in the Cyber unit.

As a result of increased visibility from long-term contracts as well as confirmed projects to be delivered in 2019, we anticipate achieving revenue and EBITDA growth for full year 2019, in line with market expectations.

Dr. Zvi Marom
Chief Executive Officer
23 April 2019

CHIEF FINANCIAL OFFICER'S REVIEW

Total Group revenue for 2018 increased by 11.6% to $119.6m (2017: $107.1m) reflecting growth in both divisions: 8.2% increase in revenue in the Bio-Medical division, which contributed 51.9% of total sales, and 16.4% increase in the Networking and Cyber division, which contributed 48.1% of total sales. As mentioned in Dr. Marom's statement, the increase in revenue in the Networking and Cyber division was primarily due to growth in our ICT services and solutions business. The Bio-Medical division growth was due to an increase in sales in the Distribution unit.

The blended gross profit margin for the year was 28.8% (2017: 30.6%). This decrease is mostly due to a reduction in the gross margin of the Networking and Cyber division as a result of the significant contribution to revenue from a large government contract that carried a lower margin.

The operating expenses were $33.0m compared with $28.5m for the previous year, with the increase primarily due to exceptional operating income in 2017 related to the disposal of one of our buildings. Excluding the disposal, 2017 operating expenses would have been $34.0m.

Sales and marketing expenses were $15.6m (2017: $15.0m), representing 13.1% of revenues compared with 14.0% in 2017.

General and administrative expenses were $11.2m (2017: $10.3m), representing 9.4% of revenues compared with 9.6% in 2017. The increase in expenses is mainly due to an expansion in activity in the Networking and Cyber division and in the Distribution unit of the Bio-Medical division in Romania.

Investment in R&D was slightly lower in 2018 than the previous year at $7.1m (2017: $7.8m), primarily due to the allocation of certain R&D expenses to cost of revenues as we began to recognise revenue under our R&D project with Arm in the Networking and Cyber division.

Adjusted operating profit was $2.6m (2017: $5.6m). However, on an underlying basis, excluding the exceptional capital gain of $5.5m in 2017 from selling the building, we achieved a significant increase in adjusted operating profit to $2.6m compared with $0.1m in 2017, with the growth due to increased operating profit generated by the Networking and Cyber division.

For 2018, we generated EBITDA of $4.9m, which on an underlying basis (excluding the exceptional gain from the disposal of property in 2017) was an increase of 122.7% (2017: $2.2m).

We achieved a 50.0% increase in earnings per share to 0.09¢ (2017: 0.06¢).

Our balance sheet remained strong with effective liquidity of $24.4m at 31 December 2018 compared with $23.3m at 30 June 2018 and $24.0m at 31 December 2017. Period-end cash comprised cash and deposits up to three months duration of $20.8m and short-term cash deposits up to one year and held-for-trading bonds of $3.6m.

At 31 December 2018, inventory was $22.9m (30 June 2018: $22.9m; 31 December 2017: $23.2m). Trade and other receivables decreased to $35.0m (30 June 2018: $36.3m; 31 December 2017: $46.9m), with the reduction compared with the prior year mostly due to the decrease in trade receivables from the disposal of the building at the end of last year as well as a reduction in the Networking and Cyber division based on timing of revenue collection; and the reduction compared with 30 June 2018 is based on the timing of collection.

Intangible assets and goodwill at 31 December 2018 were $22.6m (30 June 2018: $23.4m; 31 December 2017: $22.9m), with the slight decrease mostly due to amortisation.

Bio-Medical Division	H1 2018	H2 2018	FY 2018	FY 2017
Revenues	$29.6m	$32.5m	$62.1m	$57.4m
Gross margin	24.8%	25.2%	25.0%	25.8%
Adj. operating profit/(loss)	$(1.3m)	$0.2m	$(1.1m)	$(1.1m)

CHIEF FINANCIAL OFFICER'S REVIEW *continued*

Networking & Cyber Division	H1 2018	H2 2018	FY 2018	FY 2017
Revenues	**$28.6m**	**$28.9m**	**$57.5m**	**$49.4m**
Gross margin	**32.8%**	**34.5%**	**33.6%**	**36.4%**
Adj. operating profit	**$0.7m**	**$2.9m**	**$3.6m**	**$0.9m**

Property, plant and equipment and investment property decreased to $16.1m (30 June 2018: $16.7m; 31 December 2017: $16.7m). The slight decrease is primarily due to depreciation during the year.

The balance of trade and other payables was $33.6m (30 June 2018: $33.7m; 31 December 2017: $39.8m). The decrease is mostly due to a decrease in trade payables in the Networking and Cyber division as well as a decrease in government taxes due to tax on the capital gain from selling the building in the previous year.

Cash generated by operating activities improved significantly to $2.6m for 2018 compared with $0.1m for the prior year due to an improvement in working capital.

Moti Nagar
Chief Financial Officer
23 April 2019

CORPORATE STRATEGY

BATM is a leading provider of real-time technologies with two divisions providing networking and cyber solutions and bio-medical systems.

These two divisions have been built on the creation of strong intellectual property backed by strong patents. This is the foundation for the development of BATM's market-leading innovative and cost-effective solutions in the divisions' respective fields.

Bio-Medical Division
The Bio-Medical Division is focused on becoming a leading provider of diagnostic laboratory equipment as well as innovative products to treat biological pathogenic waste in the medical, agricultural and pharmaceutical industries.

In the field of laboratory diagnostic equipment, the Group has developed its own equipment and reagents, which have enabled it to grow in various markets and establish an expanding customer base.

While continuing to innovate and increase its presence in traditional markets, the Group is also investing, directly and through joint ventures, in developing the most advanced molecular biotechnology.

The diagnostics unit's current highly reliable, fast and easy to operate equipment for small diagnostic laboratories are sold primarily to labs in emerging markets, such as China, Russia, Mexico, Brazil and others, which have significant potential for growth. The unit sells instruments as well as associated reagents and consumables.

Ador, a joint venture company of BATM's Bio-Medical Division, is developing a unique diagnostics solution, combining molecular diagnostics and rapid tests within the same compact, mobile and easy-to-use machine (reader). The system uses microarray cartridges (panels) to enable the rapid sample-to-answer identification of a specific disease or infection. The Group believes this will allow medical practitioners to provide far quicker and more efficient treatment. The Group intends to target leading hospitals to demonstrate the strength of the solution and to utilise its extensive partner network for further marketing. In addition to the significant target market for the reader, the Group will be able to expand its target market segments through the development of panels for new disease areas. Ador is currently developing panels for meningitis, tropical infectious disease and hospital admitted infectious disease, and will then expand to others.

The division's other innovative solution treats pathogenic and medical waste in laboratories and hospitals, and in pharmaceutical manufacturing plants and for agricultural applications. These solutions are based on unique patented technology that has been used and recommended by the WHO (World Health Organization). The business remains focused on the treatment of medical and biological waste and the expansion of its OEM (Original Equipment Manufacturer) relationships.

The division is also a distributor of leading brands of other diagnostic equipment and medical supplies, particularly within Eastern Europe. This includes providing analytical and diagnostic tests of third parties, which helps to develop the market channels for BATM's own diagnostic solutions.

Networking & Cyber Division
The Networking & Cyber Division is focused on becoming the leading provider of SDN/NFV, Carrier Ethernet and MPLS access solutions, and cyber network monitoring.

In the Networking unit, the Group is servicing a wide need for access solutions to the ever-expanding mobile and cloud markets as well as for the wireline infrastructure. The division is working closely with customers and partners to define needs in cloud-based networks, Network Function Virtualisation (NFV) and advanced access solutions. The Group intends to use its technological leadership to penetrate tier 1 operators, particularly in developed markets, and to develop solutions targeted at growth areas including 5G, MEC, IoT, Cloud and Enterprise.

In the Cyber unit, the Group is focused on providing network monitoring solutions and services to large area networks, principally those utilising 10/40/100GE. The primary target customers are government organisations in Europe and Asia-Pacific.

For Networking and Cyber, the business model is based on selling a solution that combines integrated hardware and sophisticated software. The Group is expanding its investment in software-based products, which it expects to result in higher volume of software licensing revenues in the coming years.

Future Developments

Management intends to continue to invest significantly in R&D and sales and marketing activities in order to support the organic growth of the business.

CORPORATE STRATEGY *continued*

In addition, management intends to make bolt-on acquisitions to strengthen its position in the Networking & Cyber Division and Bio-Medical markets to maintain its leading position.

Key Performance Indicators

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

	2018	2017	Change %
Revenue	$119.6m	$107.1m	+11.6
Gross profit	$34.5m	$32.7m	+5.5
Gross profit margin	28.8%	30.6%	-5.8
Cash and financial assets	$24.4m	$24.0m	+1.7
Adjusted operating profit, net[1]	$2.6m	$0.1m	+2,600
Adjusted EBITDA[2]	$4.9m	$2.2m	+123
Earnings per share	0.09¢	0.06¢	+50

1. Excluding amortisation of intangible assets, refer to reconciliation below, and exceptional capital gain from the sale of a property of $5.5m in 2017.
2. Excluding exceptional capital gain from the sale of a property of $5.5m in 2017.

Other alternative measures

	Year ended 31 December	
	2018 $'000s	2017 $'000s
Operating profit	1,490	4,225
Amortisation of Intangible assets	1,143	1,349
Other alternative operating profit	**2,633**	**5,574**

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Corporate Governance

DIRECTORS' BIOGRAPHIES

Gideon Chitayat
Non-executive Chairman

Dr. Gideon Chitayat is the Chairman and CEO of GMBS Ltd, a strategic consulting firm. He is currently a director of Milissron Shopping malls and previously served as a director of Delta Galil Industries, Paz Oil Company, Teva Israel Pharmaceutical Industries, Bank Hapoalim and Israel Aircraft Industries. He has provided consultancy services in business strategy to the board and presidents of companies. He served as Adjunct Professor at Tel Aviv University, Ricanaty Business School. Dr. Chitayat holds a Ph.D. in Business & Applied Economics from the University of Pennsylvania, Wharton School and a Master's in Business & Applied Economics from the Hebrew University, Jerusalem. Dr. Chitayat joined the Board of BATM in June 2010 and was re-elected as Director and Chairman of the Board in November 2018.

Zvi Marom
Founder & CEO

Dr. Zvi Marom founded BATM in 1992. A former first lieutenant in the Israeli Navy, he graduated with excellence in electronics from the Naval Academy and with excellence from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler School of Medicine, Israel and an MSc in industrial electronics. Dr. Marom is on the boards of several national and international academic committees for computing and communications, and is the Chairman of the Board of the Israeli Hi-Tech & Innovation Industries Association of the Manufacturers' Association of Israel. He is currently a director of Shore Capital Group plc, a UK-listed company, and receives remuneration for his services.

Moti Nagar
Executive Director & CFO

Moti Nagar joined BATM in 2014. Previously, Mr. Nagar held several management positions in Deloitte – Israel. As Senior Manager at Deloitte – Israel, he interfaced and handled the engagement relationships with leading corporate global clients, including companies traded on the LSE, NASDAQ, TSE and large private companies in the fields of industry, services, energy and holding companies. Mr. Nagar also led and supported public offerings of corporations in Israel and provided advice on taxation, including international taxation. Mr. Nagar graduated in Business Management and Accounting and qualified as an Israeli certified Accountant (CPA, Israel) in 2008. He also holds an MBA in Financial Management from Tel Aviv University. Mr. Nagar does not serve as a director in any other publicly listed companies.

Harel Locker

Non-executive External Director & Senior Independent Director

Harel Locker served as the Director General of the Israeli Prime Minister's Office and head of Prime Minister Benjamin Netanyahu's economic headquarters, between 2011 and 2015. Prior to this, he practiced law for almost 20 years, with wide experience in law and finance with first tier law firms in both Tel Aviv and New York. Mr. Locker is an external director of Matomy Media Group Ltd. (LSE: MTMY) and the Chairman of the Board of Israel Aerospace Industries Ltd, the leading Israeli corporation in the aerospace and defence industry. Mr. Locker was appointed to the Board of BATM in September 2016.

Ari Shamiss

Non-executive External Director

Prof. Ari Shamiss is the CEO of Assuta Medical Centers, the largest private medical network in Israel, which consists of eight hospitals and medical centres with more than $500m in annual revenue. He is a co-founder of Assuta Life Ventures (aLivE) and is a board member of, and adviser to, numerous high-tech companies and is involved in several global business projects in healthcare technology and infrastructure. Prof. Shamiss is certified in Internal Medicine, Hypertension and Healthcare Management and he is a Professor of Medicine and Vice Dean at Ben Gurion University School of Medicine on these disciplines with more than 60 published scientific papers. Previously, he was a Director of Sheba General Hospital at Tel Hashomer for 10 years and was the Surgeon General for the Israel Air Force (Col. Ret.) and the Director of its Aeromedical Institute. Prof. Shamiss holds an MD from the Technion Institute and MPA from Harvard University, and he is a graduate in excellence of the US Navy Aerospace Medical Institute. He was appointed to the Board of BATM in November 2018.

Varda Shalev

Non-executive External Director

Prof. Varda Shalev is a specialist in epidemiology, medical informatics and predictive analytics in community healthcare. She is a director of the Morris Kahn & Maccabi Institute for Health Research and Innovation and is an active primary care physician. She has pioneered the development of multiple disease registries to support chronic disease management, and has authored or co-authored over 200 publications in peer-reviewed medical journals. In addition, she is a faculty member at the Tel Aviv University School of Public Health, sits on the advisory board of several med-tech businesses and is a director of the Israel Advanced Technology Industries. She was appointed to the Board of BATM in November 2018.

DIRECTORS' REPORT

Principal Activities

BATM is focused on the development, production and marketing of real-time technologies focusing on two main application areas: Networking & Cyber and Bio-Medical. Networking & Cyber includes products and services related to carrier ethernet, SDN/NFV and cyber network monitoring for large area networks. Bio-Medical includes medical diagnostic solutions, bio-waste treatment and sterilisation, and distribution of third party medical equipment and supplies. BATM has offices in North America, Israel and Europe.

Financial Statements

The Directors present their report together with the audited financial statements for the year ended 31 December 2018. The results of the year are set out in the consolidated statement of profit or loss. After reporting a $1.1 million amortisation of intangible assets for the year, BATM recorded a loss of $0.3 million.

Dividends

The Board is not proposing a dividend this year.

Business and Strategic Review

The review of the Group's business operations, including key performance indicators, principal risks and uncertainties, research and development and future developments, are set out in the Strategic Report section on pages 4 to 13 together with this Directors' Report.

Directors

The Directors who served for the year ended 31 December 2018 and are currently serving (unless otherwise stated) are as follows:

- Dr. Gideon Chitayat, Non-Executive Chairman
- Dr. Zvi Marom, Executive Director and Chief Executive Officer
- Moti Nagar, Executive Director and Chief Financial Officer
- Harel Locker, Non-Executive External Director and Senior Independent Director (SID)
- Prof. Ari Shamiss, Non-Executive External Director (Appointed November 2018)
- Prof. Varda Shalev, Non-Executive External Director (Appointed November 2018)
- Dr. Avigdor Shafferman, Non-Executive Senior Independent Director (Retired February 2018)
- Orna Pollack, Non-Executive External Director (Retired September 2018)

Corporate Governance Statement

The information that fulfils the requirement of the corporate governance statement in accordance with Rule 7.2 of the Financial Conduct Authority's Disclosure and Transparency Rules can be found in this Directors' Report and in the Corporate Governance information on pages 14 to 33 which is incorporated into the Directors' Report by reference.

Directors' Remuneration and Interests

The Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 23 to 31 and in note 35 to the consolidated financial statements.

Rules about appointment and replacement of Directors; Amendment of Articles

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

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

The two Executive Directors, being the CEO, Dr. Zvi Marom, and the CFO, Mr. Moti Nagar, as well as the Chairman of the Board, Dr. Gideon Chitayat, were re-elected at the Annual General Meeting of 28 November 2018 until the following AGM and will be proposed for re-election at the Annual General Meeting of 2019. Their biographies appear on page 14 above. The term of Dr. Marom's management services contract will expire on 31 December 2020 so it will not require re-approval at the AGM of 2019. The CFO's employment contract as well as the Chairman's engagement contract are for undefined terms and can be terminated by prior notice by either party. During the year under review there were no changes to the significant commitments of the Chairman.

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

Going Concern

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

Viability Statement

The Directors have assessed the Company and the Group's viability over a period of three years. In making their assessment, the Directors took account of the Company and the Group's current financial and operational positions and contracted capital expenditure. They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out on page 13 and the likely degree of effectiveness of current and available mitigating actions. Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to three years as above.

In making this statement, the Directors have also made key assumptions (see note 4 to the financial statements).

Statement of Directors' Responsibilities

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

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

Directors are also required to:

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

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

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

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

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
3. the annual report and financial statements, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Accountability and Audit

Brightman Almagor Zohar & Co. (the Firm), a member firm of Deloitte Touche Tohmatsu Limited, serves as the Company's auditor. In accordance with the Firm's policies, based on the IESBA Code, the audit engagement partner must be rotated after no more than seven years of service in that role. The most recent audit partner rotation occurred in 2018.

The Directors' Report has been brought for review to the Board and has been approved in its present form. The Directors' Report is signed on behalf of the Board by:

Dr. Zvi Marom
Executive Director & CEO
23 April 2019

CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for such governance. The Board carefully reviews all new regulations relating to the principles of good corporate governance and practice and endeavours to apply them where applicable. It also carefully reviews any comments received from independent reviewing agencies and shareholders and communicates with them directly. The Company believes that the combination of the experience of its Chairman, Dr. Gideon Chitayat, as well as the experience and expertise of its external directors provides the Company with the relevant leadership to address its position as an Israeli company that is traded on the London Stock Exchange. The Company, as a company with a Premium Listing and therefore subject to Listing Rule 9.8.6R, is subject to the provisions of the UK Corporate Governance Code published by the Financial Reporting Council, a copy of which is available from the FRC's website at https://www.frc.org.uk (the "Governance Code").

This Corporate Governance Report outlines how the Company has applied the Main Principles set out in the Governance Code as amended by the UK Financial Reporting Council in April 2016.

Compliance with the Governance Code

Throughout the year ended 31 December 2018, and through to the date of approval of the financial statements, the Board considers that the Company has complied with the Main Principles of the Governance Code. The Company has applied the Main Principles by complying with the Governance Code as set forth below and in the Directors' Remuneration Report. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report.

In addition, as outlined below, the Company's responsibilities under Israeli Company legislation is such that it is obliged to appoint two independent non-executive directors (defined as "external directors" within Israeli law), who must be appointed for a minimum of one three-year term, which may be extended by the Company for no more than two additional terms of three years each. With the exception of the "external" non-executive directors who serve for a period of three years in accordance with Israeli company law, all directors have to be re-elected by the shareholders at an AGM, if proposed for re-election. The Israeli Companies Law sets forth the grounds for removing an external director from office as well as rules for re-election of the external directors and the Company believes that these provisions are compatible with the requirements of the Governance Code.

The current independent Non-executive Directors which qualify as "external directors" under Israeli law are Mr. Harel Locker (who is also the Senior Independent Director), Prof. Ari Shamiss and Prof. Varda Shalev. Mr. Locker was appointed in September 2016 for a term of three years. Profs. Shamiss and Shalev were appointed for a term of three years in November 2018. As will be seen below, the various Committees of the Board are comprised of the external directors, which guarantees full independence while these Committees perform their corporate functions in the Company. The Company continues to consider that the three external directors currently in office are independent in character and judgment and no circumstances or matters exist which would compromise such independence.

The Board – leadership and effectiveness

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

There is not a formal schedule of matters specifically reserved to the Board for its decision, as set out in A.1.1 of the Governance Code, since the Israeli Companies Law, which applies to the Company, sets out and defines the responsibilities and duties of, and areas of decision for, the Board. These include approval of financial statements; dividends; Board appointments and removals; long-term objectives and commercial strategy; changes in capital structure; appointment, removal and compensation of senior management; major investments including mergers and acquisitions; risk management; corporate governance; engagement of professional advisers; ►

Board and committee activities in 2018 were as follows:

	Meetings	Attendance
Board of Directors	7	All Directors attended 100% of the Board meetings during 2018 except for the absence of Mr. Harel Locker from one Board meeting, due to a last-minute trip overseas.
Audit Committee	2	All Audit Committee members attended 100% of meetings during 2018.
Remuneration Committee	2	All Remuneration Committee members attended 100% of meetings during 2018.
Nomination Committee	2	All Nomination Committee members attended 100% of meetings during 2018.

political donations; and internal control arrangements. The ultimate responsibility for reviewing and approving the annual report and financial statements, and for ensuring that they present a balanced assessment of the Company's position, lies with the Board. These provisions have been fully complied with.

In addition, the Audit Committee as well as the Directors review and assess on an annual basis, the performance of the external auditors, their independence, reasonableness of their audit fees as compared with peer tier 1 accountancy offices in Israel and make recommendations to be brought forward to the shareholders' meeting as to the appointment, or reappointment, or replacement of the external auditors of the Group. While the Audit Committee as part of its activity reviews and monitors the external auditor's independence and objectivity (see page 20) there is no requirement under Israeli law and regulations and it is not common market practice in Israel to have maximum terms for auditors. Rotation of external auditors is not accepted practice in the Israeli market and the Company is not subject to EU audit regulations that relate to rotation of the external auditors. However, to facilitate auditor independence, the audit engagement partner must be rotated after no more than seven years of service in that role. The most recent audit partner rotation occurred in 2018.

The Company has not adopted a formal schedule of responsibilities for the roles of Chairman and CEO as required by the Governance Code as the Israeli Companies Law, which applies to the Company, sets out and defines the responsibilities and duties of the CEO, which the Company believes the CEO performs. Nonetheless, the Company considers that the Chairman of the Board and CEO understand their respective roles and responsibilities and perform in accordance with them. The Company will prepare a defined schedule of responsibilities for consideration and adoption by the Board in due course.

In accordance with section B.5.1. of the Governance Code, independent outside counsel is also present at every Board meeting and Board committee meetings.

The Board carried out a review of its own effectiveness and that of its various committees during the year. The review was facilitated by the Chairman of the Board who reviewed the performance of each Director, his/her knowledge and comprehension of the nature of the Group's business, how the Board works together and other factors relevant to its effectiveness without the Executive Directors being present at the meeting. The SID (Mr. Harel Locker) carried out a review of the Chairman's performance during the year under review after considering the views of the Executive Directors within the deliberations of the Remuneration Committee.

The Board comprises six Directors, four of whom are Non-executive Directors, under the chairmanship of Dr. Gideon Chitayat. The Board's members have a wide breadth of experience in areas relating to the Company's activities and the Non-executive Directors in particular bring additional expertise to matters affecting the Company. All of the Directors are of a high calibre and standing. The biographies of all the members of the Board are set out on pages 14 to 15. The interests of the Directors in the Company and their shareholdings are set out on page 31. All of the Non-executive Directors are independent of management and not involved in any business or other relationship that could materially interfere with the exercise of their independent judgment. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a director of a listed company and that the Board is comprised of a good balance of Executive and Non-executive Directors.

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

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

The Company has an experienced Company Secretary, Mr. Arthur Moher, who is also one of the Company's legal advisers and all the Directors have access to Mr. Moher's services. Accordingly, the Company complies with section B.5.2. of the Governance Code.

The Directors may take independent professional advice at the Company's expense in furtherance of their duties.

With respect to succession of the Board members, it is the role of the Nomination Committee (see page 21) to identify succession planning. Non-executive Directors are replaced regularly in accordance with the requirements of Israeli legislation in respect of the appointment of qualified external directors for a three-year period and the ongoing obligation to replace them regularly as the term of their office expires.

The Board also works to ensure that within the Group there exists a culture that is free from discrimination and

CORPORATE GOVERNANCE REPORT *continued*

harassment in any form. The Board ensures that the Company complies with Israeli legislation known as the Israeli Equal Rights for People with Disabilities Law, 5748-1988 to ensure that appropriate consideration is given to employees with disabilities. The Company is also in full compliance with Israeli legislation known as the Employment (Equal Opportunities) Law, 5758-1998, which requires an employer not to discriminate amongst employees on account of sex, sexual tendencies, personal status and any other forms of discrimination. As of 31 December 2018, of the total workforce across the Group 58% of employees were female and 30% of the total executive management positions were held by females.

Relations with Shareholders and Significant Shareholders

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

As of 31 December 2018, to the best of the Company's knowledge, the following persons or entities had a significant holding of BATM ordinary shares:

Dr. Zvi Marom, the Company's CEO and founder – 23.96%

Lombard Odier Investment Managers - 24.19%

Legal & General Investment Management – 6.7%

Herald Investment Management – 5.92%

Committees

As required by the provisions of the Israeli Companies Law, the Board has appointed an Audit Committee, a Remuneration Committee and a Nomination Committee to deal with specific aspects of the Company's affairs and ensures that each such Committee is fully constituted and operates as required under the Israeli Companies Law. As of 31 December 2018, the composition of the aforementioned Committees are as detailed below.

Audit Committee

Members: Mr. Harel Locker, Prof. Ari Shamiss and Prof. Varda Shalev
Chairman: Mr. Harel Locker

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

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

The Committee meets at least twice a year, and always prior to the announcement of interim or annual results. The external auditors, internal auditor and Chief Financial Officer are invited to attend all meetings in order to ensure that all the information required by the Committee is available for it to operate effectively and the Audit Committee reports back to the Board. The external auditor communicates with the members of the Audit Committee during the year, without executive officers present. The Committee also meets with representatives of the Company's external auditors at least twice per year and raises on a regular basis any issues it has with the review and/or audit carried out by the external auditors and comments on specific issues it believes the auditors should be focusing on.

The Audit Committee adheres to the functions and requirements prescribed to it by the Israeli Companies Law and Israeli Regulations and takes account of the relevant provisions of the FCA's Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code. The Chairman of the Audit Committee maintains close contact with the Company on a regular basis.

Remuneration Committee

Members: Prof. Ari Shamiss, Mr. Harel Locker and Prof. Varda Shalev
Chairman: Prof. Ari Shamiss

The Company's Remuneration Committee is constituted in accordance with the recommendations of the Governance Code. The Committee consists of three out of the four Non-executive Directors and excludes the Chairman as is required under Israeli Company Law. None of the Committee members have any personal financial interests or conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

None of the Directors play a part in any determination of their own remuneration.

The Committee has responsibility for making recommendations to the Board on the Company's policy on staff remuneration and for the determination, within agreed terms of reference, of specific remuneration packages for the Chairman of the Company and each of the Executive Directors (including pension rights and any compensation payments).

The primary responsibilities of the Committee are to ensure:

1. That individual pay levels for Executive Directors should generally be in line with levels of pay for executives in similar companies with similar performance achievement and responsibilities.
2. That share option and bonus schemes should be set at a level that provides sufficient incentive to the executive to produce results that will reflect and exceed the Board's expectations, and be appropriately balanced alongside fixed-level and more immediate remuneration.
3. That total pay and long-term remuneration will be sufficient to retain executives who perform.
4. That aggregate pay for all Executive Directors is reasonable in light of the Company's size and performance and is compatible with the Company's risk policies and systems.
5. Information of the Company's policy regarding the setting of Directors' remuneration together with the remuneration of Directors is set out in the Directors' Remuneration Report on pages 23 to 31. The Company's current remuneration policy as recommended by the Remuneration Committee was approved at the Annual General Meeting of the Company in October 2017. The remuneration policy is more fully explained below in the Directors' Remuneration Report.

Nomination Committee

Members: Dr. Gideon Chitayat, Mr. Harel Locker and Prof. Ari Shamiss
Chairman: Dr. Gideon Chitayat

In addition to the Company's diversity policy for existing employees (as disclosed on page 32), the Nomination Committee is specifically tasked with assessing the process utilised by the Company in relation to Board appointments and in monitoring diversity during the recruitment process and in the context of the resulting appointment made. During the process, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment while evaluating the balance of skills and experience in identifying a candidate pool and in the recruitment of Board members from such potential candidates, with consideration given to the balance of skills, experience, independence and knowledge on the Board. Board appointments are made on merit set against objective criteria having due regard, amongst other things, to the benefits of diversity on the Board, including gender. In accordance with the Israeli Companies Law, the Company has one female non-executive Board member. As at 31 December 2018, there was one female on the Board (representing 16.6% of Board membership).

Prior to the date of expiration of office of a non-executive director or in cases of early resignation of a director, the Committee considers the necessary skills, experience, expertise and gender required of potential candidates and prepares a list of potential candidates. Since Israel is a relatively small country, it is quite easy for the Nomination Committee to obtain recommendations through objective professional directors in various industries of persons that could fit the requirements needed by the Company. Once this is done, a number of appropriate candidates (who have relevant experience in those lines of business in which the Company is engaged and the personal qualifications that fit the Company) are interviewed by the Chairman of the Board. After the interview, the Nomination Committee presents its recommendations to the Board which, if deemed necessary, may expand on the interview and research process in order to find the optimum candidate for the office of director in the Company. Generally, no external search consultancy firm is used or advertisement published by the Company, for the reasons explained above.

During the year under review, the Nomination Committee met twice to discuss and consider nominees for the office of external directors on the Board taking into account the role description and capabilities required for the appointments. The nominations of Prof. Ari Shamiss and Prof. Varda Shalev were discussed after the Chairman of the Committee provided the members with detailed resumes of both nominees and updated the Committee on the interviews held with both nominees. In the discussions, due regard was given to both the requirements of the Israeli Companies Law (in particular in relation to the requirements for the external directors to have between them relevant professional and accounting/financial expertise) and the requirements identified by the Nomination Committee in the role description and to ensure balance of the Board as a whole.

CORPORATE GOVERNANCE REPORT *continued*

Conflicts

Throughout 2018 the Company has complied with procedures in place for ensuring that the Board's powers to authorise conflict situations have been operated effectively and this has also been considered at a committee level where appropriate. During 2018, no conflicts arose that would require the Board to exercise authority or discretion in relation to such conflicts.

Risk Management and Internal Control

Risk management is currently reviewed on an ongoing basis by the Board as a whole. The Company has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place from 2011 and up to the date of approval of the Annual Report and Financial Statements. Principal controls are managed by the Executive Directors and key employees, including regular review by management and the Board of the operations and the financial statements of the Company.

The Board has overall responsibility for ensuring that the Company maintains adequate systems of internal control and for determining the nature and extent of principal risks. The Board confirms that they have carried out during 2018 a robust assessment of such risks accordingly, including those that would impact the Company's business model, future performance, solvency or liquidity, and have considered how they are to be mitigated. To this end, in accordance with the Israeli Companies Law, the Company has appointed and retains the services of an independent qualified internal auditor. Each year, the Audit Committee reviews with the internal auditor potential risks and a proposed plan for their scope of work. Each year the Audit Committee usually selects at least two areas of the Company's operations on which it requests the internal auditor to focus and prepare an internal audit report with recommendations. Following the completion of each report, the internal auditor sends it to all the Directors and presents their findings to the Audit Committee. The Audit Committee then reports to the Board on any major findings together with the internal auditor's recommendations for improving controls and corporate responsibility and the Board instructs management to implement the recommendations.

The key features of the financial controls of the Company include a comprehensive system of financial reporting, budgeting and forecasting, and clearly laid down accounting policies and procedures. The main elements of internal control currently include:

- **Operating Controls:** The identification and mitigation of major business risks on a daily basis is the responsibility of the Executive Directors and senior management. Each business function within the Group maintains controls and procedures, as directed by senior management, appropriate to its own business environment while conforming to the Company's standards and guidelines. These include procedures and guidelines to identify, evaluate the likelihood of and mitigate all types of risks on an ongoing basis.
- **Information and Communication:** The Group operating procedures include a comprehensive system for reporting financial and non-financial information to the Directors. Financial projections, including revenue and profit forecasts, are reported on a monthly basis to senior management compared with corresponding results for previous periods. The central process for evaluating and managing non-financial risk is monthly meetings of business functions, each involving at least one Director, together with periodic meetings of Executive Directors and senior management.
- **Finance Management:** The finance department operates within policies approved by the Directors and the Chief Financial Officer. Expenditures are tightly controlled with stringent approvals required based on amount. Duties such as legal, finance, sales and operations are also strictly segregated to minimise risk.
- **Insurance:** Insurance coverage is provided externally and depends on the scale of the risk in question and the availability of coverage in the external market.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE REPORT

Dear Shareholder

The Board is pleased to present the Remuneration Committee's Report for the year ended 31 December 2018.

The main purpose of the Remuneration Committee is to design appropriate remuneration packages to attract, retain and motivate senior executives and managers of the experience and expertise required to run the Company successfully. The Remuneration Committee reviews and considers the remuneration of, amongst others, the CEO, CFO, executive and non-executive directors and other individuals determined by the Board to be material to the Company's current and future prospects.

The Remuneration Committee must ensure that a remuneration framework is established and implemented that addresses the need of the Company to attract, retain and motivate such individuals, while considering and managing business risks and ensuring the Company's remuneration policy facilitates, so far as possible, the Company's long-term strategy and performance and ensures its sustainable financial health.

The Remuneration Committee remains focused on ensuring that the overall remuneration strategy adopted by the Company remains aligned with the interests of its shareholders. The Remuneration Committee, when necessary, engages external executive remuneration advisers to give it guidance regarding the accepted levels of salary, bonuses and LTIs payable by similar sized companies listed on the London Stock Exchange to its CEO, CFO and other senior executives and ensures that the level of remuneration offered to its senior executives is both fair and reasonable.

Introduction

This report sets out BATM Advanced Communication's executive remuneration policy and details Directors' remuneration and benefits for the financial year under review. The Company is incorporated in Israel, and the Company's current Remuneration Policy and Guidelines ("Remuneration Policy") came into effect after its approval by the Shareholders' Meeting by a majority vote as prescribed in section 267A (b) of the Israeli Companies Law, 1999 ("Companies Law") at the Annual General Meeting held in October 2017. The Companies Law requires that the Remuneration Policy must be presented to the shareholders for approval at least once every three years, and therefore the next such approval is anticipated to be in October 2020.

While the Company is not subject to the Companies Act 2006 or the amendments introduced in relation to the preparation and approval of directors' remuneration policies and reports for listed companies, the Company complies with the UK Corporate Governance Code ("Code") and believes that the Company's remuneration strategy would comply with the requirements of the Code and of the Companies Act 2006 and related legislation.

In accordance with Israeli Companies Law, the Board recommends and the General Meeting of the Company is asked to approve the remuneration policy of the Company for executives in the Company, after it has been first approved by the Company's Remuneration Committee and Board of Directors. The current remuneration policy was approved by the shareholders at the AGM held in October 2017.

The Reporting Regulations (International Auditing Reporting Standards) also require the auditors to report to the Company's members in the financial statement within this report and to state whether in their opinion that part of the report has been properly prepared. The report is therefore divided into separate sections for audited and unaudited information.

During 2017, remuneration consultants (KPMG's executive remuneration departments in Tel Aviv and London, UK) were engaged by the Company to assist it in adopting an updated Remuneration Policy for the Company.

Recruitment Remuneration

The Company's policy on recruitment remuneration is to consider the market conditions and the Company's requirements, while ensuring that it complies with the Remuneration Policy, in determining the appropriate level of remuneration (including in respect of any buy-out award) in connection with the appointment of Executive Directors.

Remuneration Committee

The Remuneration Committee works within its terms of reference to make recommendations to the Board of Directors of the Company. The Remuneration Committee's full terms of reference are available on the Company's website. The Remuneration Committee complies with the Code. The Remuneration Committee consists of three out of the four non- executive Directors and excludes the chairman as is required under Israeli Company Law. None of the Committee members has any personal financial interests, conflicts of interests arising from cross-directorships or day-to-day involvement in the running of the business.

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

DIRECTORS' REMUNERATION REPORT *continued*

The Committee also receives advise from several sources, namely:

- The Chairman of the Board, who attends the Remuneration Committee meetings by invitation only, or when required and the company's chief financial officer attends when specifically invited by the chairman of the Committee in order to provide relevant information to the Committee. No individual takes part in discussions relating to their own remuneration and benefits.

As and when the Committee deems it necessary, the Committee consults with independent consultants on executive benefits (such as KPMG's executive remuneration department).

The members of the Remuneration Committee during the year under review until the appointment of the new directors were:

- Dr. Avigdor Shafferman, Chairman (Retired February 2018)
- Orna Pollack (Retired September 2018)
- Harel Locker

Following their appointment at the Company's Annual General Meeting of 28 November 2018, the members of the Remuneration Committee are currently:

- Prof. Ari Shamiss (Chairman) (Appointed November 2018)
- Prof. Varda Shalev (Appointed November 2018)
- Harel Locker

Key Remuneration Activities During the Year

During the year under review, the Company held a special shareholders' meeting on 6 June 2018 at which a number of items relating to remuneration of the CEO and CFO of the Company were brought to the shareholders for approval and were approved. Following is a brief summary of those items: (a) the Service Contract between the Company and the service management company owned by the CEO (Notradamus or the "Service Management Company") was approved. The main terms & conditions of the service contract are:

Term – Effective from 1 January 2018 until 31 December 2020 (3 years)

Remuneration – Increase in annual Base Salary from $300,000 to $382,000 plus all relevant social benefits and taxes on this amount.

Annual Bonus: shall be payable by BATM to the Service Management company for each of the above three years, in the event that the BATM Group achieves the adjusted EBITDA for each year which is set in the annual budget (work plan) approved by the Board at the beginning of that year (hereinafter – the "Base adjusted EBITDA") and subject to the following:

An annual bonus shall be payable only if:

(a) The adjusted EBITDA for the relevant year is more than $4.3 million;

(b) For each increase in the actual adjusted EBITDA for the relevant year of 10% as compared with the Base adjusted EBITDA, the Service Management Company shall be entitled to a bonus of 1 month's Base Salary up to a ceiling of nine monthly Base Salaries (should the actual adjusted EBITDA for the relevant year be 100% or more of the Base adjusted EBITDA). Two out of the nine monthly Base Salaries, if payable, will be based on personal performance criteria of the CEO as reviewed by the Board.

(c) Long Term Incentives:
The shareholders' meeting of 6 June 2018 approved the grant of four million options to purchase BATM ordinary shares to the CEO of the Company, Zvi Marom. The options are exercisable at a price of 26.95 pence per share, being the average price of the Company's share on the FTSE in the month preceding the shareholders' approval of this transaction. Half of the options will vest at the end of 24 months from the grant date and the other half at the end of 36 months from the grant date, provided that Dr. Marom remains in his position at the Company as of the date of each vesting and that the Group has achieved a gross profit of at least $33 million for the previous calendar year in which the vesting date falls.

Except for the increase in the Base Salary and new criteria for eligibility for bonus and long-term incentives as set forth above, all the other contractual terms in the original agreement remain in effect without any change.

Certain amendments were approved to the employment contract of the CFO, as follows:

(a) Effective 1 January 2018, an increase in the CFO's monthly base salary from NIS 50,000 gross (c. £10,080) to NIS 60,000 gross (c. £12,096).

(b) The CFO shall be entitled to 15 recreation days' payment ("Demei Havra'a) in place of 7 such days, due to his seniority as an employee of BATM. This is in common with employment practice in Israel under relevant labor laws and practice.

(c) The CFO shall also be entitled to the use of a car from a leasing company that BATM leases vehicles from, provided that the leasing cost to BATM per month shall not exceed NIS 5,000 (c. £1,000) plus VAT (was previously a ceiling of NIS 4,000 (c. £800) plus VAT per month).

(d) All other terms and conditions in the CFO's employment contract remain in effect, as adjusted by the above changes.

Shareholder Views

As noted above, the current Remuneration Policy was approved by shareholders in October 2017 and the next such approval is expected to occur in October 2020. I am pleased to report that, during 2018, shareholders approved the amendments to the remuneration of the CEO and CFO, and approved the Remuneration Committee report for 2017 together with the auditor's reports on the auditable part of that report. On behalf of the Committee, I thank shareholders for their support and look forward to receiving further support at this year's Annual General Meeting.

Prof. Ari Shamiss
Remuneration Committee Chairman
23 April 2019

REMUNERATION POLICY REPORT

The philosophy and principles of the Company's Remuneration Policy are detailed below (unaudited). This Remuneration Policy was brought for approval to the annual general meeting of the shareholders in October 2017 and was approved by a large majority at that meeting.

Remuneration philosophy and objectives

The Company believes that the most effective Executive remuneration policy is one that is designed to reward achievement, to encourage a high degree of performance and that aligns Executives' interests with those of the Company and its shareholders while ensuring that the Company can maintain its ability to attract and retain for the long-term leading employees for key positions. The remuneration philosophy of the Company is to offer Executives remuneration that is comprised of a mix of fixed annual salary and variable performance-based bonuses and/or long-term equity incentives.

The Company has established the following main remuneration objectives for the Company's Executives:

(1) Remuneration should be related to performance on both a short-term and long-term basis with a portion of a senior Executive's potential annual bonus and long-term equity-based remuneration conditional on achievement of pre-determined performance objectives.

(2) The mix of the fixed and performance-based variable remuneration should serve to encourage senior Executives to remain with the Company. The Policy's components are designed to retain talented executives. A significant element of the Policy is therefore long-term equity-based incentive remuneration rewards that vest on a rolling basis over several years. As part of the retention objective, the Company believes that remuneration should include a meaningful share option component to further align the interests of the senior Executives with the interests of the shareholders.

(3) Remuneration should be reasonable for the business of the Company, its location, industry and its long-term, multi-year approach to achieving sustainable growth.

(4) Remuneration should be designed to encourage initiative innovation and appropriate levels of risk. It should be structured to discourage taking excessive short-term risk without constraining reasonable risk taking. Therefore a portion of the incentive variable remuneration should be linked to longer-term Company performance.

(5) The Policy should ensure transparency and accountability and encourage a high-performing culture in the Company.

The Remuneration Committee and its duties

The BATM Remuneration Committee (the "Committee") was established by the Board of Directors of the Company and operates in accordance with the functions set forth in the Israeli Companies Law. This is a separate independent Committee comprised of three external independent directors who are appointed by the shareholders' meeting.

The Committee's responsibilities and duties are:

(1) Recommending for approval to the Board the framework or broad policy for the remuneration of the Company's Chairman of the Board, CEO, Executive Directors and other senior management and officers.

(2) Recommending appropriate remuneration packages and service contracts of the senior executives, and reviewing the ongoing appropriateness and relevance of the Remuneration Policy.

(3) Recommending and determining the goals for all performance-related remuneration offered by the Company and approving the total annual payments made under such schemes.

(4) Reviewing the design of all long-term incentive schemes, such as options and equity awards and recommending these for approval by the Board and, if and when required by law, by the shareholders.

The Committee's terms of reference are available on the Company's website and are available in hard copy on request from the Company Secretary.

Remuneration Principles

a) The remuneration of senior executives and officers of the Company shall consist of all, or part, of the following:

  (i) **fixed remuneration – salary** (including pensions and fixed social benefits on a level consistent with peer companies and only if these are mandatory or commonly accepted in the relevant employment

DIRECTORS' REMUNERATION REPORT *continued*

market) that is commensurate with the individual executive's skills, experience, education, qualifications and responsibilities. The fixed annual salary, benefits and pension will be set at a broadly mid-market level (including with reference to the country in which an executive principally works), and reviewed annually taking account of individual responsibilities and performance. The Remuneration Committee will ensure that the underlying principles, which form the basis for determining executives' salaries are consistent with those on which salary decisions for the rest of the workforce in the Company are taken. In addition, before making a recommendation the Committee takes into account the general salary increase for the broader employee population when conducting the salary review for the senior executives. The Committee also takes into account the ratio between the total remuneration of the applicable director and/or senior executive and the salary of all other employees in the Company, especially the ratio between the total remuneration and the median and average salary of all such other employees in the Company - this analysis and ratio will be calculated on a per Division basis and on a per country basis so as to ensure that the comparison is made on the same underlying parameters;

and

(ii) **variable remuneration,** which can comprise a mix of:
- Annual bonuses; and
- Long Term (equity-based) Incentives (hereinafter – "LTIs").

The Board of Directors determines the ceilings for payment of the fixed remuneration and variable remuneration, so that they are reasonable and appropriate. The targeted ratio between the fixed salary remuneration and the variable elements of remuneration that the Company may offer executives shall be as follows:

	Non-Executive Chairman	CEO	Senior Executives
Annual Salary or the equivalent thereof	100%	100%	100%
Other fixed benefits *	30%-40%	30%-40%	30%-40%
Annual Bonus**	None	up to 75%	up to 50%
LTIs (per vesting annum)	None	up to 125%	up to 100%

The percentages above reflect ratios compared with the annual fixed salary and are the maximum rewards that the Company may pay to the relevant executives.

The amount of LTIs will be calculated on a linear basis over the period of vesting.

* "Other fixed benefits" are comprised of mandatory pension scheme required by Israeli labour laws and regulations (6.5% from base salary), and may also include Further Education Funds, use of company car, use of mobile phone and newspaper, all as commonly given in Israel in peer companies. The Company only pays pension on the executives' basic salary (and not on the variable remuneration).

** Non-Executive Independent Directors are not eligible for annual bonuses.

The Annual Salary for the senior executives shall not exceed the following maximum threshold:

(a) Non-Executive Chairman: $120,000*
(b) CEO: $520,000
(c) Other senior executives: $300,000

* This amount is based on a 30% part time position of the Chairman

The total remuneration of senior executives and directors will be reviewed annually, taking into account the above considerations and focusing on the relevant person's contribution and performance as well as the performance of the Company and its financial status.

In addition to the above, at each such review the Remuneration Committee may, in its discretion, approve immaterial changes to all or part of the remuneration package of a senior executive or officer of up to 3 base salaries (including the amount of the fixed benefits payable on such salaries) as a reward for his/her special contribution to the Company in the previous year. With respect to an immaterial change in the remuneration of the CEO that is recommended by the Remuneration Committee, such recommendation will also require the approval of the Board of Directors of the Company. All instances in which the Remuneration Committee has used its discretionary powers to award such a bonus (as, for example, to reward an executive for his/her special efforts in closing a merger or acquisition for the Company) will be fully disclosed by the Company in the relevant annual report.

Measurement criteria for awards of annual Bonus

The level of the cash payment bonus paid to any executive director, senior executive or officer (excluding non-executive independent directors), will be established to link rewards with the Company's annual business goals, based on quantifiable measurements and targets set out at the start of the financial year by the Remuneration Committee. The criteria on which the annual bonus is based shall be calculated, as follows:

(i) **Consolidated / Division financial measures:** adjusted EBIDTA, measured against the targets of the annual budget as approved by the Board of Directors for the relevant year; and

(ii) **Personal & operational performance measures:** The criteria shall be determined individually when such personal criteria are set. A list of personal qualitative goals will be determined by the Remuneration Committee on a case-by-case basis.

The weight of the corporate / division financial measures and personal operational performance measures for considering a bonus award, shall be as follows:

	CEO	CFO	Division Heads
Consolidated financial measures:	75%-100%	60%-80%	20%-40%
Division financial measures:	–	–	40%-60%
Personal & operational performance: (non-financial performance criteria)	up to 25%	20%-40%	up to 20%

The financial measures are based on defined quantitative criteria, whereas the personal and operational measures are based on qualitative criteria. If less than 70% of the financial measures has been achieved, then no part from the Consolidated/Division financial annual bonus may be paid; if however between 70% - 100% of the financial measures have been achieved, then the relevant executive or senior officer will be eligible to receive a pro rata portion of the Consolidated/Division financial annual bonus as determined by the Remuneration Committee. Annual bonuses may be withheld in whole or in part if the business has suffered an exceptional negative event, even if some specific targets have been met. The Remuneration Committee has overall discretion to ensure that a payment that is inappropriate in all the Company's circumstances is not made.

The maximum aggregate bonus shall be as set forth in the above table, per executive level.

If there was a mistake in calculation of the annual bonus by the Company, or if the Company restates any of the financial data that was used in calculating the bonus (other than a restatement required due to changes in financial reporting standards), then the applicable bonus shall be recalculated using such restated data (the "Restated Bonus"). The balance between the original bonus and the Restated Bonus, if any, (the "Balance") will be repaid to the Company, or paid to the executive (as the case may be) by deducting or adding such Balance from the first amounts payable to such senior executive as a bonus immediately after the completion of the restatement. To the extent that no bonus will be payable to such senior executive in that year, then the Balance shall be deducted from the bonus payable in the next year and so forth up to three years. Notwithstanding the above, if the senior executive's employment relationship with the Company terminates before the Balance is fully repaid to the Company, then the Balance shall be deducted from all amounts due and payable to such senior executive in connection with such termination of employment and if there is still an unpaid balance to the Company, then such unpaid balance shall be repaid pursuant to the terms determined by the Board of Directors.

In the event of termination of employment of an executive during the calendar year (except under circumstances justifying the non-payment of Severance Pay pursuant to Israeli labour law and precedent of the Labour Courts), the amount of the bonus shall be calculated and adjusted for the entire year in accordance with the provisions of this Policy and thereafter shall be prorated in accordance with the actual days of employment of the executive by the Company during the applicable year and paid to the eligible executive in full together with the first salary that will be paid following the approval by the Board of Directors of the financial statements for such applicable year.

Long-Term Incentives

The Company's long-term Incentive package for the CEO and other senior executives will be established to support the Company's strategy by incentivising the delivery of growth, increase in profitability, superior shareholder returns and sustained financial performance. Long-term incentives may be granted by the Board of Directors through the issue of options under the Company's Employee Share Option Plan ("ESOP"). The Company believes that this mechanism is the preferred long-term incentive package, as the Company already has in place ESOPs that have been approved by the relevant Tax Authorities in Israel and this kind of LTI scheme is more commonly used and understood by high-level executives in the Israeli market.

Any award of long-term incentives by the Remuneration Committee and the Board of Directors will be made in order to reward the senior executives for future performance and building additional value for the shareholders (thus increasing the price of the share) and to foster a long-term relationship between the executive and the Company.

DIRECTORS' REMUNERATION REPORT *continued*

(1) The vesting of any LTIs (options) granted by the Board to a senior executive shall be over time in order to retain the senior executive in the Company and to incentivise the executive to increase the value of the Company.

(2) Any LTI granted by the Company to a senior executive will vest over a three year period as follows: 12 months after the Board approval – 0%; 24 months after the Board Approval – 50%; and 36 months after the Board Approval – 50%, provided that the senior executive remains an employee or in the service of the Company on each date of exercising the LTIs. If the Company terminates the employment or services contract of an executive who was awarded options within the first half of the year from the Board approval, the eligible executive shall not be entitled to exercise the options granted, unless the termination by the Company was unjustified; if the Company terminates the employment or services contract of an executive who was awarded options within the second half of the year from the Board approval, the Board of Directors will determine whether to allow the eligible executive to exercise the amount of options which vested immediately prior to the termination date. Any executive that resigns from his/her position in the Company shall forfeit his/her right to exercise any non-vested LTIs.

(3) In exceptional circumstances and/or cases of a restatement of any of the Company's financial statements, the Remuneration Committee has the discretion to reduce future rewards of LTIs to the relevant senior executive.

All grant of options hereunder shall also be subject to the following:

- Options shall not be exercisable more than ten years after the date of the grant.
- The price ("exercise price") at which options may be granted shall be a fixed price and not be under the average market price in the month preceding the date of the Board approval.
- The options may include provisions for acceleration of vesting in certain events, such as mergers, a consolidation, a sale of all or substantially all of the Company's consolidated assets, or sale of all or substantially all of the issued shares of the Company, all as stipulated in the Company's relevant employee share option plan.
- Subject to the receipt of all the required approvals, the exercise of the options may be made by a cashless mechanism and the exercise price may be adjusted for dividend distribution.

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

(5) The maximum levels of variable remuneration and benefits that the Company may grant to the CEO and other senior executives in the Company are as set forth above in the table on pages 26-27.

Remuneration to Non-executive independent Directors ("NEDs)

As an Israeli publicly listed company, BATM's Board must include at all times, at least two external (public) independent non-executive directors that fulfill the mandatory requirements and hold the qualifications laid down in the Israeli Companies Law. Such directors may receive cash remuneration that includes an annual fixed fee and a per-meeting participation fee as well as equity-based compensation, all as prescribed in the Israeli Companies Regulations ((Rules Regarding Compensation and Expense Reimbursement of External Directors) 2000 (the "Compensation Regulations"), as an incentive for their contribution and efforts for the Company. In addition, the Company may reimburse said directors for their reasonable expenses incurred in connection with attending meetings of the Board of Directors and of any Committees of the Board, all in accordance with the Compensation Regulations. The Company's remuneration policy with respect to NEDS is that it offers each of them the relevant scale of annual fixed fee and "per-meeting" participation fee specified in the Compensation Regulations that apply to the Company.

NEDs are not eligible to participate in the variable remuneration plans offered by the Company to its executives and officers.

NEDs are also not entitled to notice periods of termination as their position under the Israeli Companies Law is set for a defined term of three years following their appointment by the shareholders' meeting. Their office may only be terminated for cause in special circumstances by the Company's shareholders' meeting or by the competent court at the request of a director or shareholder.

External appointments for executive directors of the Company

The Company does not prohibit its executive directors from being appointed as non-executive directors in other companies, provided that such appointment will not create a conflict of interest between his/her position in the Company and his external appointment. In each such instances, the Company's executive director may retain the remuneration paid to him/her by the other company. The Company provides a full disclosure on each such instance in its Remuneration Report contained in the Company's Annual Report.

Retirement and termination of employment or services arrangements:

As part of the incentives under this Remuneration Policy, the Company is permitted to approve retirement benefits and termination arrangements in its employment and services contracts in order to attract and retain highly skilled professional executive officers. The retirement and termination arrangements may include one or more of the following, as may be approved by the Remuneration Committee and the Board (unless the termination is in circumstances that negate the payment of severance pay pursuant to applicable law):

- **Advance Notice of Termination:** (i) shall not exceed up to six monthly base salaries for the CEO; and (ii) shall not exceed up to four monthly base salaries for other senior executives (provided, however, that any current employment or services contracts in effect with senior executives which contain an Advance Notice of more than six months shall continue in effect until the relevant contract expires).
- **Adjusted Payments:** A senior executive may be entitled to adjustment payments as follows: (i) up to a maximum of six months for the CEO; and (ii) up to a maximum of four months for other senior executives, provided that any overlap between the Advance Notice period during which the senior executive is not working will be accounted for the purpose of calculating the total adjustment payment and deducted therefrom. The adjustment payments will be based on the employment term of each senior executive with the Company.
- The level of adjusted payments to be offered to specific executives will be discussed by the Remuneration Committee that will provide its recommendations to the Board, after considering the following:
- The executive is committed to work in the Company for at least two years.
- Throughout his/her term of employment he/she has made a significant contribution to advancing the Company's business.
- The executive is not leaving the Company under circumstances justifying the non-payment of severance pay (as recognised under Israeli labour law and precedent) and upon termination of employment he/she will sign on a release in favour of the Company against all claims.
- The recommendation of the CEO (or the Chairman in the case of the termination of employment of the CEO) as to the level of severance payment.
- The Company's performance throughout the period of his/her employment by the Company.
- If the Executive resigns from the Company during the calendar year for which he would have been entitled to an annual bonus, the Remuneration Committee has the discretion to decide whether and to what extent that executive should be eligible to receive the bonus (whether in part, in full, or not at all).

Recruitment Policy

The Remuneration Committee will take into consideration a number of factors, including the current pay for other executive directors, external market forces, skills and current level of pay at previous employer in determining the pay on recruitment.

In terms of additional benefits, the Committee will offer a package that is set in line with this Remuneration Policy and the mandatory pension scheme levels in the Israeli market.

Annual bonus and LTIs will be set in line with this Remuneration Policy.

Buy-Out awards: where an individual forfeits outstanding variable opportunities or contractual rights at a previous employer as a result of his/her recruitment by the Company, the Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances of recruitment, determined on a case-by-case basis. Where appropriate, the Committee may choose to apply performance conditions to any of these awards.

ANNUAL REPORT ON REMUNERATION

The Company does not comply with the Governance Code requirements with respect to determining the remuneration to its non-executive directors as it is required to comply with Israeli Law that formulates the kind and amounts of remuneration and expenses that an Israeli public company may pay to its non-executive directors. The applicable Israeli statute is the Israeli Companies Regulations (Rules Regarding Compensation and Expense Reimbursement of External Directors) 2000 (the "Compensation Regulations"), which prescribes the level of remuneration that a publicly listed company may pay to its external directors. Cash remuneration payable to the external director is comprised of two fees: (i) an annual fixed fee; and (ii) a per-meeting participation fee. The figures set forth in the Compensation Regulations for these elements are based on the size of the company calculated by the shareholders' equity of the relevant listed company as recorded in its last audited financial statements. BATM is in the highest level of company under these Compensation Regulations and accordingly the amounts payable to the three external directors currently in office (who are considered as directors holding expertise qualifications under the Compensation Regulations) for 2018 were as follows:

- An annual fixed fee of NIS 126900 (c. £26,449).
- A per meeting participation fee of NIS 4,880 per meeting attended by the external director (c. £1,017).
- For any teleconference meeting that the external director participates in – 60% of the above fee.

DIRECTORS' REMUNERATION REPORT *continued*

- For signing on a Written Resolution of a board meeting, without a physical meeting having been held - 50% of the above fee.

The Company complies fully with the Compensation Regulations and does not pay any additional amounts to the three non-executive directors. The Compensation Regulations do not apply to the Chairman who is not considered an "external director" in terms of Israeli Law and his remuneration is set out below.

Audited information

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

Table A – Emoluments of the Directors with comparatives

	Salary $'000	Social Benefits $'000	Pension Benefits $'000	Performance Bonus $'000	2018 Total $'000	2017 Total $'000
Executive Directors						
Zvi Marom, CEO [1]	516	–	–	–	516	398
Moti Nagar, CFO [2]	244	24	11	50	329	231
Non-executives Directors						
Gideon Chitayat	56	–	–	–	56	56
Harel Locker	43	–	–	–	43	43
Ari Shamiss [3]	6	–	–	–	6	–
Varda Shalev [3]	4	–	–	–	4	–
Orna Pollack [4]	33	–	–	–	33	46
Avigdor Shafferman [4]	10	–	–	–	10	46

[1] The CEO, Dr. Zvi Marom, receives payment via a Service Agreement, which includes a basic annual salary and associated social and pension benefits according to his employment agreement. In 2018, shareholders approved an increase to Dr. Marom's annual base salary plus all relevant social benefits and taxes on this amount effective 1 January 2018. In 2018, Dr. Marom received an annual base salary of $382,000 (2017: $300,000) and social and pension benefits of $120,000 (2017: $98,000).

[2] In 2018, shareholders approved an increase in the monthly base salary of the CFO, Mr. Moti Nagar, from NIS 50,000 gross to NIS 60,000 gross plus all relevant social benefits and taxes on this amount effective 1 January 2018, and the payment of a bonus of three updated monthly salaries for his performance in 2017 based on the achievement of the financial targets set in his employment contract.

[3] Prof. Shamiss and Prof. Shalev joined as directors effective 28 November 2018, so the amounts appearing in the table are pro rata for the one month and two days they were in office during 2018.

[4] Dr. Shafferman and Mrs. Pollock's terms of office as external directors expired in February and September 2018 respectively.

As at 31 December 2018, the total liability for payment related to wages for the Executive Directors was $48,000 (31 December 2017: $11,000), which was paid in January 2019 (2017 liability was paid in January 2018).

Table B – Directors' shareholdings in the Company

While the Company does not require any Director to hold shares in the Company, the interests of the Directors and their immediate families, both beneficial and non-beneficial, in the ordinary shares of the Company as at 31 December 2018 and 2017 were as follows:

	2018 Ordinary Shares	2017 Ordinary Shares
Executive Directors		
Zvi Marom	96,694,500	96,694,500
Moti Nagar	–	–
Non-executive Directors		
Gideon Chitayat	3,000,000	3,000,000
Harel Locker	–	–
Ari Shamiss	–	–
Varda Shalev	–	–
Orna Pollack	–	–
Avigdor Shafferman	–	–

Share Options

In 2018, shareholders approved the grant of 4,000,000 options to Dr. Zvi Marom, Executive Director and CEO. The exercise price per share was the average price of the Company's shares on the FTSE during the month preceding the shareholders' approval of this transaction. The vesting periods of the options granted are as follows: at the end of twelve months – 0%; at the end of 24 months – 50%; and at the end of 36 months – 50%; provided that (a) Dr. Zvi Marom remains in his position at the Company as of the date of each vesting and (b) the BATM group has achieved a gross profit of at least USD $33 million for the previous calendar year in which the vesting date falls.

Table C – Share options

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

	As at 1 Jan 18	Granted	Exercised	Lapsed	As at 31 Dec 18	Exercise price(*)	Expiry date
Moti Nagar	3,906,200	-	-	-	3,906,200	0.1269	4 May 2025
Zvi Marom	-	4,000,000	-	-	4,000,000	0.2695	5 June 2028

(*) The exercise price per share calculated by average price of the Company's shares on the FTSE during the month preceding of this transaction.

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES

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

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

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

Employment Policies

BATM employs approximately 1,016 people and in order to continue to grow as a business, the Company needs to continue to recruit and retain only the best talent. Therefore, it is the Company's policy to pursue practices that are sensitive to the needs of its people. The Company strives for equal opportunities for all of its employees, including disabled employees, and does not tolerate harassment of, or discrimination against, its staff. The Company's priorities are:

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

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

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

Employees with Disabilities

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

Environmental Policies and adherence to EU Environmental Directives

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

Its environmental policy is to:

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

In addition, the Company has certain product lines that are designed to reduce energy consumption and waste production. During 2012, the Company launched a new product, in the Eco-Med unit of the Bio-Medical Division, to treat medical waste and convert it into non-biohazardous waste. The successful launch of this product into dialysis centres, laboratories and hospitals and the relevant environmental certifications will position the Company as a leader in this field. Subsequently, it launched a unique solution, based on its patented Integrated Shredder and Steriliser technology, for agri-business, which treats waste from poultry and larger animals such as cattle, pigs and cows, and at pharmaceutical manufacturing plants. This solution has been tested with the relevant regulatory authorities to confirm its uniqueness and efficiency.

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

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

Ethical Business Practices

All employees are expected to behave ethically when working for the Company and this is reflected in the Group's policies, which are disseminated to all employees.

Charitable Policies

BATM maintains a number of small charitable giving policies. BATM did not make any political donations in the 2018 financial year and made only charitable donations.

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

Community Involvement

BATM is involved with a number of community projects. These include involvement with local charitable organisations and hospitals that are designed to help bridge socio-economic divides and help those suffering from illness.


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BATM

Consolidated Financial Statements

for the year ended 31 December 2018

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

Deloitte.

To the Shareholders of BATM Advanced Communications Ltd.
Neve Ne'eman Ind. Area
4, Ha'harash Street, P.O.B. 7318
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Opinion

We have audited the consolidated financial statements of BATM Advanced Communications Ltd. and its subsidiaries ("the Group") set out on pages 41 to 95, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Inventory provisions and net realizable value As at 31 December 2018, the Group held inventories of $22,860 thousand. See the composition in Note 19 to the consolidated financial statements. As described in the Accounting Policies in Note 3 to the consolidated financial statements, inventory is carried at the lower of cost and net realizable value. The inventory is comprised of items that serve the Group's different segments of operations and different products. As result, management applied judgement in determining the appropriate provisions for obsolete stock based upon analysis of the diversification of products in inventory and the Group forecasts for the sale of the respective goods while net realizable value is based upon plans for inventory to go into sales.	We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by: • Attending inventory counts at main locations. • Checking for a sample of individual products that invoiced costs have been correctly recorded and that the allocation of directly attributable costs has been correctly calculated; • Comparing the net realizable value to the cost price of inventories to check for completeness of the associated provision; • Performing audit analytics on stockholding and movement data including sales subsequent to year end, to identify product lines with indicators of low stock turn or stock ageing; and • Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year in relation to stock loss. ***Findings*** The results of our testing were satisfactory.

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KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of goodwill and other intangible assets As detailed in Notes 22 and 23, as at 31 December 2018, the Group had goodwill and other intangible assets of $22,621 thousand. Goodwill and other intangible assets arise as a result of acquisitions by the Group. Management conducted their annual impairment test to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less costs to sell or the value in use is determined and compared to the net book value of cash-generating unit to which the goodwill is allocated and other intangible assets. This determination of an impairment is highly subjective as significant judgement is required by the management in determining the cash-generating units and the fair value less costs to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of valuation and business assumptions, most importantly the discount rate and growth rate.	We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the directors. Our audit procedures included: • Critically evaluating the determination of the cash generating units; • Evaluating whether the model used to calculate the fair value less costs to sell and value in use of the individual cash-generating units complies with the requirements of IAS 36: Impairment of Assets; • Using our specialists when applicable for the interest used in the fair value calculations; • Validating the assumptions applied and inputs in the respective models by comparing it to historical information, market researches when available, contractual arrangements and approved budgets; and • Subjecting the key assumptions to sensitivity analyses. ***Findings*** We found the models and assumptions applied in the goodwill impairment assessments to be appropriate. We considered the disclosure of the goodwill and other intangible assets to be appropriate for purposes of the consolidated financial statements.
Deferred tax As disclosed in Note 25, the Group has recognized deferred tax assets in respect of certain entities to the extent that it is probable that historical assessed tax losses will be realized. Due to the multiple tax jurisdictions within which the Group operates, determining the amounts, which should be recognized as an asset, is also subject to judgement. Management's judgement includes estimation of future taxable income and consideration of regulations by various tax authorities with respect to transfer pricing regulations and other tax positions. The above requires management judgement and is accordingly a key audit matter.	We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included: • Ensuring deferred tax calculations complied with relevant tax rates and regulations. • Evaluating management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, and our knowledge of the business; and • Challenging the assumptions made by management for future taxable income to assess whether appropriate deferred tax assets have been recognized and are based on the most probable outcome. ***Findings*** We found the judgements used in determining current and deferred tax balances to be appropriate.

Independent Auditor's Report to the Shareholders of BATM Advanced Communications Ltd. (continued)

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KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Construction contracts Where the outcome of a construction contract can be estimated reliably, revenues are recognized over time by the Group in reference to the contract's stage at the date of the consolidated statements of financial position. This is normally measured by the proportion of the contract costs incurred for work performed to date divided by the estimated total contract costs. The management consider the input method as an appropriate measure of the progress towards complete satisfaction of these performance obligations. Total revenues and expenses recognized for the year ended 31 December 2018, amounted to $13,586 thousand and $10,955 thousand, respectively. Estimating the Stage of Completion demands significant judgement by the management to determine the exact percentage of project completion. This estimation is based mainly on engineering determination or time consumed in relation to total forecasted time needs together with the estimations of cost to complete the contracts.	• We have examined the appropriateness of the estimation by reviewing the specific arrangements. • We have examined the Stage of Completion ("SOC") used by developing an independent estimation on contracts that are using time spent as a basis for the completion stage and by evaluating the stage of completion based on other evidences in the case of an engineering determination of SOC. We have also preformed post balance sheet examination procedures. • We have examined the reasonability of the estimated costs to complete used for the determination of the stage of completion. • We have examined the completion percentage reached at period end compared to the same figure in previous periods. • We have assessed management's ability to provide accurate estimations by comparing actual results to previous forecasts. ***Findings*** The results of our testing were satisfactory and we found the judgements used in determining the estimation to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Efrat Binshtok.

Brightman Almagor Zohar and Co., Efrat Binshtok
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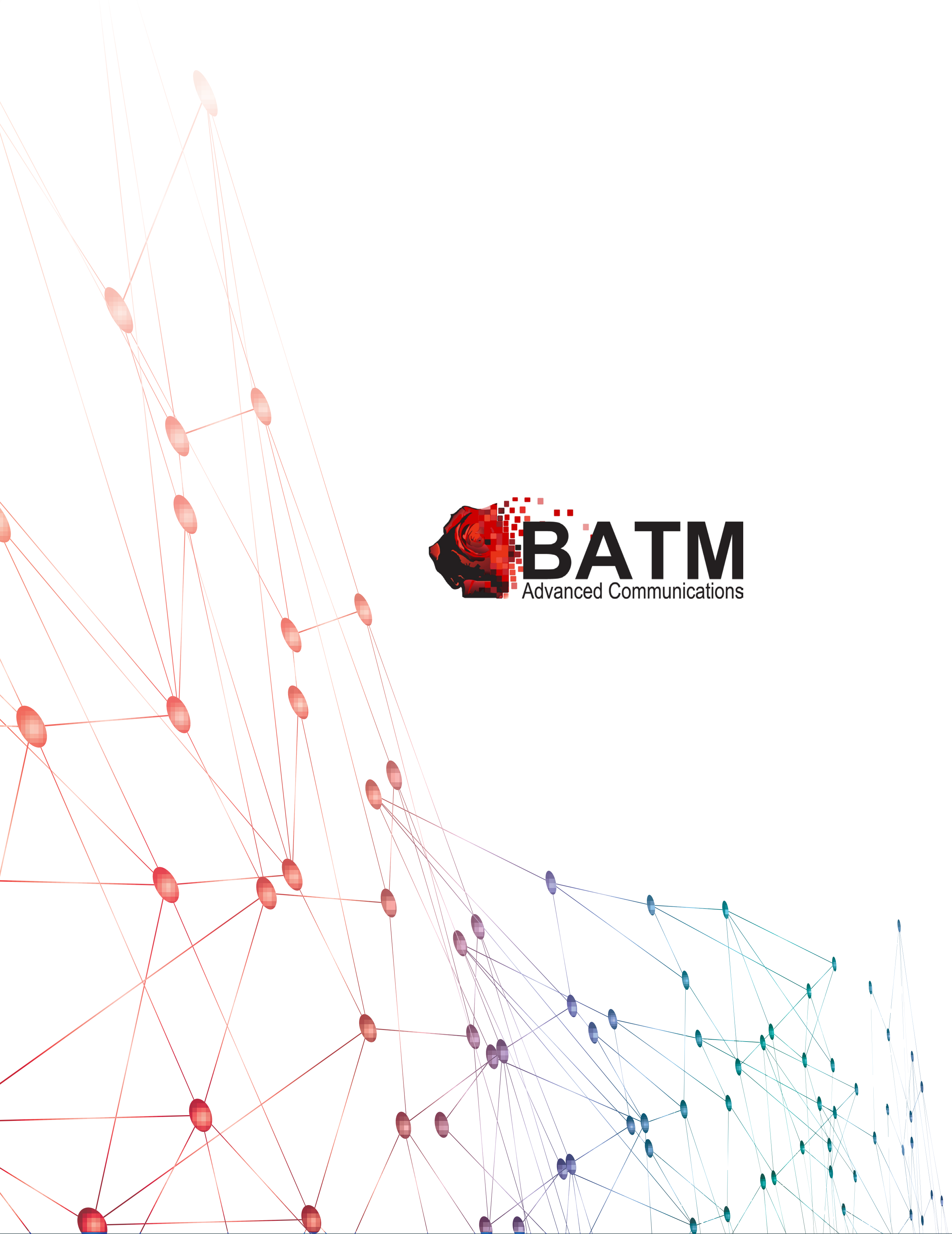
23 April 2019



Consolidated Statements of Profit or Loss

for the year ended 31 December

	Note	2018 US$'000	2017 US$'000
Revenues	5, 6	119,561	107,137
Cost of revenues	7	85,097	74,402
Gross profit		34,464	32,735
Operating expenses			
Sales and marketing expenses	8	15,635	14,987
General and administrative expenses	9	11,226	10,297
Research and development expenses	10	7,116	7,752
Other operating income	12	(1,003)	(4,526)
Total operating expenses		32,974	28,510
Operating profit		1,490	4,225
Finance income	13	653	331
Finance expenses	14	(935)	(742)
Profit before tax		1,208	3,814
Income tax expense	15	(623)	(2,364)
Profit for the year before share of loss of a joint venture and associated companies		**585**	**1,450**
Share of loss of a joint venture and associated companies	24	(908)	(1,574)
Loss for the year		**(323)**	**(124)**
Attributable to:			
Owners of the Company		**358**	**233**
Non-controlling interests		**(681)**	**(357)**
Loss for the year		**(323)**	**(124)**
Profit per share (in cents) basic and diluted	16	**0.09**	**0.06**

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

Consolidated Statements of Comprehensive Income (Loss)

for the year ended 31 December

	2018 US$'000	2017 US$'000
Loss for the year	(323)	(124)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2,546)	4,903
	(2,869)	4,779
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit obligation	(51)	6
Total comprehensive income (loss) for the year	(2,920)	4,785
Attributable to:		
Owners of the Company	(2,509)	5,752
Non-controlling interests	(411)	(967)
	(2,920)	**4,785**

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

Consolidated Statements of Financial Position

for the year ended 31 December

	Note	2018 US$'000	2017 US$'000
Assets			
Current assets			
Cash and cash equivalents		20,811	18,182
Trade and other receivables	18	35,010	46,916
Financial assets	17	3,577	5,782
Inventories	19	22,860	23,238
		82,258	94,118
Non-current assets			
Property, plant and equipment	20	14,076	14,720
Investment property	21	2,004	1,951
Goodwill	22	16,343	16,817
Other intangible assets	23	6,278	6,127
Investment in joint venture and associate	12, 24	4,210	953
Investments carried at fair value	28	1,060	576
Deferred tax assets	25	2,655	2,909
		46,626	44,053
Total assets		**128,884**	**138,171**
Equity and liabilities			
Current liabilities			
Short-term bank credit	26	5,369	5,324
Trade and other payables	26	33,413	37,607
Tax liabilities	26	173	2,232
		38,955	45,163
Non-current liabilities			
Long-term bank credit	26	486	910
Long-term liabilities	26	5,631	5,261
Deferred tax liabilities	25	228	336
Retirement benefit obligation	34	576	682
		6,921	7,189
Total liabilities		**45,876**	**52,352**
Equity			
Share capital	27	1,217	1,216
Share premium account		407,796	407,688
Reserves		(18,373)	(15,557)
Accumulated deficit		(303,264)	(303,571)
Equity attributable to the:			
Owners of the Company		87,376	89,776
Non-controlling interests		(4,368)	(3,957)
Total equity		**83,008**	**85,819**
Total equity and liabilities		**128,884**	**138,171**

The financial statements were approved by the board of directors and authorised on 23 April 2019. They were signed on its behalf by:

Dr. Z. Marom, CEO **M. Nagar, CFO**

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

Consolidated Statements of Changes in Equity

for the years ended 31 December 2018 and 2017

	Share Capital	Share Premium Account	Translation Reserve	Other Reserve	Accumulated Deficit	Attributable to owners of the Parent	Non-Controlling Interests	Total Equity
	US$ in thousands							
Balance as at 1 January 2017	1,216	407,544	(20,558)	(512)	(303,810)	83,880	(2,990)	80,890
Profit (loss) for the year	–	–	–	–	233	233	(357)	(124)
Re-measurement of defined benefit obligation	–	–	–	–	6	6	–	6
Exchange differences on translating foreign operations	–	–	5,513	–	–	5,513	(610)	4,903
Total comprehensive income for the year	–	–	**5,513**	–	**239**	**5,752**	**(967)**	**4,785**
Exercise of share-based options by employees	–	35	–	–	–	35	–	35
Recognition of share-based payments	–	109	–	–	–	109	–	109
Balance as at 1 January 2018	1,216	407,688	(15,045)	(512)	(303,571)	89,776	(3,957)	85,819
Profit (loss) for the year	–	–	–	–	358	358	(681)	(323)
Re-measurement of defined benefit obligation	–	–	–	–	(51)	(51)	–	(51)
Exchange differences on translating foreign operations	–	–	(2,816)	–	–	(2,816)	270	(2,546)
Total comprehensive loss for the year	–	–	**(2,816)**	–	**307**	**(2,509)**	**(411)**	**(2,920)**
Exercise of share-based options by employees	1	50	–	–	–	51	–	51
Recognition of share-based payments	–	58	–	–	–	58	–	58
Balance as at 31 December 2018	**1,217**	**407,796**	**(17,861)**	**(512)**	**(303,264)**	**87,376**	**(4,368)**	**83,008**

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

Consolidated Cash Flow Statements

for the year ended 31 December

	Note	2018 US$'000	2017 US$'000
Net cash from operating activities	29	**2,607**	**56**
Investing activities			
Interest received		219	132
Proceeds on disposal of property, plant and equipment		6,507	3,229
Tax paid on disposal of property, plant and equipment		(1,913)	–
Proceeds on disposal of deposits		4,579	4,503
Proceeds on disposal of financial assets carried at fair value through profit and loss		2,391	3,260
Loans repay (granted)		133	(322)
Purchases of property, plant and equipment		(1,692)	(3,260)
Increase of other intangible assets		(1,894)	(996)
Purchases of financial assets carried at fair value through profit and loss		(840)	(2,452)
Increase in financial assets carried at fair value		(321)	–
Purchases of deposits		(4,004)	(5,503)
Investment in joint venture		(1,616)	(1,339)
Investment in associated company		(80)	(343)
Acquisition of subsidiaries	30	(633)	(1,378)
Net cash from (used in) investing activities		836	(4,469)
Financing activities	26		
Bank loan repayment		(9,956)	(5,257)
Bank loan received		9,596	5,355
Proceed on exercise of shares		51	35
Net cash from (used in) financing activities		(309)	133
Increase (decrease) in cash and cash equivalents		3,134	(4,280)
Cash and cash equivalents at the beginning of the year		18,182	22,015
Effects of exchange rate changes on the balance of cash held in foreign currencies		(505)	447
Cash and cash equivalents at the end of the year		**20,811**	**18,182**

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

1. General Information

BATM Advanced Communications Ltd. ("the Company") is a company incorporated in Israel under the Israeli Companies Law. The address of the registered office is POB 7318, Nave Ne'eman Ind. Area 4, Ha'harash Street, 4524075 Hod Hasharon, Israel. The Company and its subsidiaries ("the Group") are engaged in the research and development, production and marketing of data communication products in the field of Metropolitan area networks and is operating in the Bio-Medical market. The Bio-Medical division of the Group is engaged in the research and development, production, marketing and distribution of Bio-Medical products, primarily laboratory diagnostics and sterilisation equipment.

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

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

The Company elected not to apply IFRS 9 to its comparative information. As result of the application of IFRS 9 several classifications were performed: Several investments were classified from available for sale investments carried at fair value to FVTPL and one investment was classified from available for sale investments carried at fair value to FVTOCI. The application of IFRS 9 has had no significant impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018.

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

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The application of IFRS 15 has had no significant impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The Group has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   (i) the original liability is derecognised;
   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of Classification and Measurement of Share-based Payment Transactions in a way that is consistent with these amendments.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

2.2 New and revised IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

The Group has chosen the modified retrospectively application of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Group will not restate comparative information. Instead, the Group will recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at the date of initial application.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

– The right to obtain substantially all of the economic benefits from the use of an identified asset; and

– The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has chosen to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments, mainly lease of real estates, of approximately $14.8 million.

The preliminary assessment indicates that $0.2 million of these arrangements relate to short-term leases.

A preliminary assessment indicates that $14.6 million of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of $13.0 million and a corresponding lease liability of $13.0 million in respect of all these leases.

There will also be an impact to the income statement, resulting in an increase to adjusted operating profit through the operating lease expense being removed and replaced with a smaller depreciation charge. This impact is deemed to be immaterial. There will be an interest expense under the new accounting, that would not have occurred under IAS 17, which will substantially offset the increase in adjusted operating profit and result in an immaterial difference to profit before tax. There will not be an impact to total cash flows, however there will be an increase in cash flows from operating activities, and a corresponding decrease in cash flows from financing activities.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

If the entity considers that it is probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the entity considers that it is not probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to use the most likely amount or the expected value (sum of the probability, weighted amounts in a range of possible outcomes) in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method used should be the method that the entity expects to provide the better prediction of the resolution of the uncertainty.

The Interpretation will be applied to the accounting periods beginning on or after 1 January 2019, although early application is permitted. The Directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

3 Significant Accounting Policies

Statement of compliance

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

Basis of preparation

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

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

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

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

Goodwill

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

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

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

Non-current assets held for sale

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

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

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

Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods - Communication products, Bio-Medical products such as laboratory diagnostics and sterilisation Eco-Med products
- Rendering of services - Software services such as training, technical support and maintenance related to the communication products, mobile & web solutions, UI, UX design, branding, graphical design, drivers & embedded solutions
- Construction contracts

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rendering of services

The Group provides a service of installation of various software products for specialised business operations.

Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract. The management have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised over time by reference to the stage of completion of the contract activity at the date of the consolidated statements of financial position. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs except where this would not be representative of the stage of completion or engineering completion. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

Dividend and interest income

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

Leasing

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

The Group as lessor

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

The Group as lessee

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

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

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

For new IFRS 16 Leases see note 2.2.

Foreign currencies

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

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

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

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

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

Government grants

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

Forgivable loans are loans where the lender (Israeli Chief Scientist Officer (ISO)) undertakes to waive repayment under certain prescribed conditions. In a case where a government grant takes the form of a forgivable loan, a liability is recognised in regards to this loan at fair value, based on estimations of future cash flows arising from the relevant grant. It is the Group's policy to designate all such loans as financial liabilities measured at amortised cost according to IFRS 9.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

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

Employee benefits

Retirement benefit costs and termination benefits

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

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

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

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

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

Short-term and other long-term employee benefits

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

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

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

Share-based payments arrangements

Share-based payment transactions of the Company

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

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

Investment Property

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

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

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

Property, plant and equipment

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

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for the year ended 31 December 2018

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

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

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

Buildings	3%-4%
Plant and equipment	10%-33%
Motor Vehicles	15%-20%
Furniture and fittings	6%-15%
Leasehold Improvements	7%-20%

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

Research and development expenditure

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method between 10%-33%.

Acquired intangible assets

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

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

Inventory

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

Financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial assets and investments

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The majority of financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

The debt instruments held by the Group are classified as at FVTOCI. The debt instruments are initially measured at fair value plus transaction costs.

Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

these debt instruments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 36.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. In the initial adoption of the Standard, the Company changed the accounting policy of the liability to the Chief Scientist. According to IAS 39, the liability was treated for at fair value and according to IFRS 9 the liability is treated for at amortised cost, which has had no significant impact on the Group's consolidated financial statements. Fair value is determined in the manner described in note 36.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Derivative financial instruments

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

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

Bank borrowings

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

Trade and other payables

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

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

Provisions

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

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

4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Impairment of intangible assets and goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows of the CGU and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets and goodwill at the consolidated statement of financial position date was $22.6 million (2017: $22.9 million), see note 22 and note 23.

Judgments with respect to deferred tax assets

For the purposes of measuring deferred tax assets arising from loss carry-forwards in different territories, management's estimation that it will be able to utilise them in the foreseeable future, see note 15.

Judgments with respect to construction contracts

The Company accounts for its revenue in accordance with IFRS 15 revenue from contracts with customers, which requires estimates to be made for contract costs and revenues. Revenue is recognised using the percentage of completion method based on the ratio of contract costs incurred to total estimated contract costs or engineering completion percentage. Estimating total direct labour costs and the engineering status is subjective and requires the use of management's best judgments based on the information available at that time. Total revenues and expenses recognised for the year ended 31 December 2018 amounted to $13,586 thousand and $10,955 thousand, respectively.

5 Revenues

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time and services and Construction Contracts over time in the following major product lines.

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

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Sales of goods(*)	77,794	73,661
Services(*)	28,181	22,747
Construction Contracts(*)	13,586	10,729
	119,561	**107,137**

(*) For more details see note 6

6 Business and Geographical Segments

Business segments

Information reported to the chief operating decision maker (CEO of the Company) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of two major operating segments – Networking and Cyber Division and Bio-Medical Division. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows: Networking and Cyber Division mostly includes the research and development, production and marketing of data communication products in the field of local and wide area networks and premises management systems. Sales for this segment are global. The Bio-Medical Division is engaged in the research and development, production, marketing and distribution of medical products, primarily laboratory diagnostic equipment and sterilisation equipment. Sales for this segment are primarily in Europe.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

A. Segment revenues and segment results

Year ended 31 December 2018

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues	57,451	62,104	6	119,561
Adjusted operating profit (loss)(*)	3,579	(1,114)	168	2,633
Reconciliation – Other operating expenses				(1,143)
Operating profit				1,490
Net finance expense				(282)
Profit before tax				1,208

Year ended 31 December 2017

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues	49,366	57,393	378	107,137
Adjusted operating profit (loss)(*)	867	(1,068)	5,775	5,574
Reconciliation - Other operating expenses				(1,349)
Operating profit				4,225
Net finance expense				(411)
Profit before tax				3,814

(*) Excluding amortisation of intangible assets see note 23, including other operating income see note 12

Revenue reported above represents revenue generated from external customers. There were immaterial inter-segment sales in the year.

B. Segment assets, liabilities and other information

As at 31 December 2018

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	56,846	70,034	2,004	128,884
Liabilities	19,808	26,068	–	45,876
Depreciation and amortisation	1,317	2,074	–	3,391
Additions to non-current assets	1,160	2,603	–	3,763

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

As at 31 December 2017

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	69,719	66,501	1,951	138,171
Liabilities	25,824	26,528	–	52,352
Depreciation and amortisation	1,405	2,022	54	3,481
Additions to non-current assets	2,384	3,486	–	5,870

C. Revenue from major products and services

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

Year ended 31 December	2018 $'000s	2017 $'000s
Telecommunication products	24,405	27,740
Software services	33,052	22,004
Distribution of medical products	50,129	42,243
Diagnostic products	6,589	7,676
Eco-Med products	5,386	7,474
	119,561	107,137

D. Revenue from major product lines

Year ended 31 December 2018

Revenues	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Sales of goods	20,898	56,896	-	77,794
Services	23,770	4,405	6	28,181
Construction Contracts	12,783	803	-	13,586
	57,451	62,104	6	119,561

Year ended 31 December 2017

Revenues	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Sales of goods	23,731	49,930	–	73,661
Services	18.206	4,163	378	22,747
Construction Contracts	7,429	3,300	–	10,729
	49,366	57,393	378	107,137

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

E. Geographical segments

The Group operates in three principal geographical areas – United States of America (USA), Israel and Europe. The Group's revenue from external customers and information about its segment assets by geographical location are presented by the location of operations and are detailed below:

$'000s	Revenue from external customers		Non-current assets	
	2018	2017	2018	2017
USA	11,770	13,550	5,162	5,182
Israel	49,043	41,499	16,035	17,058
Moldova	31,455	26,887	2,617	3,036
Italy	6,512	7,424	10,483	9,302
Rest of Europe	20,781	17,777	8,570	5,946
Other	–	–	44	44
Total	119,561	107,137	42,911	40,568

7 Cost of revenues

	Year ended 31 December	
	2018 $'000s	2017 $'000s
Direct costs- Components and subcontractors	65,057	56,992
Changes in inventory	(713)	(2,682)
Salaries and related benefits	16,261	15,439
Overhead and depreciation	2,896	3,184
Other expenses	1,596	1,469
	85,097	**74,402**

8 Sales and marketing expenses

	Year ended 31 December	
	2018 $'000s	2017 $'000s
Salaries and related benefits	9,078	8,245
Commissions	1,025	1,309
Outside services	478	470
Advertising and sales promotion	949	948
Overhead and depreciation	2,205	2,122
Travelling and other expenses	1,900	1,893
	15,635	**14,987**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

9 General and administrative expenses

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Salaries and related benefits	4,515	4,513
Professional services(*)	3,416	2,765
Overhead and depreciation	1,294	1,218
Other expenses	2,001	1,801
	11,226	**10,297**
(*) Including		
Auditors' remuneration for audit services	**288**	**283**

Amounts payable to Deloitte by the Company and its subsidiaries' undertakings in respect of non-audit services in 2018 were $3,000 (2017: $10,000). In addition, payables in respect of non-audit services to others than the Company's auditors, for tax and internal audit services in 2018, were $8,000 and $8,000, respectively (2017: $15,000 and $38,000, respectively).

10 Research and development expenses

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Salaries and related benefits	3,693	4,235
Purchases and subcontractors	2,535	3,110
Overhead and depreciation	1,067	984
Other expenses	708	693
Government grants	(887)	(1,270)
	7,116	**7,752**

11 Staff costs

The average monthly number of employees in 2018 (including executive directors) was 1,054 (2017: 1,012).

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Their aggregate remuneration comprised:		
Wages and salaries	27,575	26,620
Social security costs	4,742	4,688
Other pension costs	1,230	1,123
	33,547	**32,431**
Executive Directors' emoluments	**845**	**628**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

12 Other operating expenses (income)

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Capital gain on sale of tangible and intangible assets [1]	(1,582)	(5,588)
Revaluation of investment	(165)	–
Amortisation of intangible assets	744	1,100
Other income	–	(38)
	(1,003)	**(4,526)**

(1) In 2017 the Group's real-estate management company entered into an agreement to sell a wholly-owned building situated at Yokneam, Israel. Under the terms of the agreement, BATM was entitled to a total consideration of NIS 34 million (approximately $9.7 million), which compares to the building's book value of NIS 13.7 million (approximately $3.9 million). As a result, the pre-tax profit attributable to the transaction amounted to NIS 19.4 million (approximately $5.6 million) net of transaction expenses of NIS 0.9 million (approximately $0.2 million). The building was reclassified part in investment property and part in fixed assets. In 2018 a capital gain from selling of intangible assets to a joint venture is included.

13 Finance income

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Interest on bank deposits	131	83
Gain on derivative financial instruments	444	–
Gain on marketable securities	–	86
Foreign exchange differences, net	–	162
Other interest income	78	–
	653	**331**

14 Finance expense

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Loss on derivative financial instruments	–	(242)
Foreign exchange differences, net	(315)	–
Interest on loans and bank fees	(537)	(500)
Loss on marketable securities	(47)	–
Other	(36)	–
	(935)	**(742)**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

15 Income (expense) tax benefits

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Current tax	(519)	(2,303)
Tax on previous years	(9)	–
Deferred tax *(note 25)*	(95)	(61)
	(623)	**(2,364)**

Taxation under various laws:

Israel

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

On the 29 December 2016, the Economic Efficiency Law (Legislative amendments to achieve budget targets for years' budget 2017 and 2018) 5777-2016, was published in the Official Gazette.

The main changes of the abovementioned law in respect of corporate tax are as follows:

a. In 2017 the corporate income tax rate was reduced to 24% (instead of 25%) for income derived or accrued starting from 1 January 2017 and was reduced to 23% in 2018 for income derived or accrued starting from 1 January 2018.

b. Amendment of Encouragement of Capital Investments Law:

    a. The corporate tax rate for each company with a Preferred Enterprise was reduced to 7.5% instead of 9% for the Preferred Enterprise's income in area A as from 1 January 2017.

    b. Creating new additional tax tracks for Preferred Technological Enterprise (tax rate of 7.5% in Area "A" and a tax rate of 12% in Area "Other") and for special Preferred Technological Enterprise (tax rate of 6%).

    c. Determining relieves of the threshold conditions to enter the track of "Special Preferred Enterprise" relevant for huge companies entitles tax rates of 5% in Area "A" or 8% in the Area "Other".

The Parent Company has a Preferred Enterprise status in area A and its Israeli subsidiaries assessed according to the corporate income tax rate.

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

The Company and its Israeli subsidiaries have tax loss carry-forwards of $84.7 million of which $81.4 million the Group did not create deferred tax assets in respect of such losses. According to the Israeli law there is no expiry date to use such losses.

The Company has received final tax assessments for the years up to and including the 2013 tax year. The subsidiaries have not been assessed for tax since their incorporation.

The United States of America

Since acquisition, Telco Systems has incurred losses for tax purposes. In addition, in accordance with U.S. tax law, Telco Systems made an election to amortise a substantial part of the excess cost paid by the Company in its acquisition over a period of 15 years. This has resulted in tax loss carry-forwards which may be expire before having been utilised. Accordingly, the future use of part of these benefits is uncertain. Other US subsidiaries are assessed for tax purposes on a consolidated basis with Telco Systems. Deferred tax assets of $1.1 million have been recognised in respect of such losses. The amount of carry-forward losses is $315.8 million. According to US law, losses created until 2017 can be carried forward for 20 years. Accordingly, the first portion of the tax losses in the US subsidiary will expire in 2021.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

On 22 December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act contains significant changes to federal corporate taxes, including a permanent reduction of the corporate tax rate from 35% to 21% effective 1 January 2018. The reduction in the federal corporate tax rate required a one-time revaluation of certain tax-related assets and liabilities. As a result of the revaluation of its deferred tax assets and liabilities at 31 December 2017, the Company recorded a one-time tax expense of approximately $1.0 million. In addition, based on the Act only 80 percent of losses created from 1 January 2018 may be used to offset future income, however there is no time limitation for the use of such losses. Other influences may affect the Company in the future.

Other jurisdictions

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group has tax loss carry-forwards of $24.8 million in European subsidiaries of which $22.2 million the Group did not recognise deferred tax assets in respect of such losses. The corporate income tax rate in Moldova is 12% and in Italy is 24%.

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

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Profit (loss) before tax:	**1,208**	**3,814**
Tax expense (benefit) at the Israeli corporation tax rate of 23% (2017: 24%)	278	915
Tax reduced income	(191)	24
Effect of change in tax rate in the US	–	1,035
Tax losses which no deferred tax assets have been recognised	616	647
Initial recognition of deferred tax assets	(102)	–
Tax on previous years	9	–
Other differences	13	(257)
Tax expenses for the year	**623**	**2,364**

16 Earnings per share

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

	Year ended 31 December	
	2018	**2017**
Earnings for the purposes of basic and diluted earnings per share ($'000s) attributable to Owners of the Company	**358**	**233**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	403,353,149	403,173,012
Effect of dilutive potential ordinary shares:		
Share options	2,896,875	1,460,205
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**406,250,024**	**404,633,217**
Weighted average number of non-dilutive potential ordinary shares	**132,512**	**11,512**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

17 Financial assets

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Interest-bearing deposits	1,580	2,171
Financial assets at FVTPL	1,997	3,611
	3,577	**5,782**

The average interest rate of deposits is 3.11% and 1.51% in 2018 and 2017 respectively.

18 Trade and other receivables

	31 December	
Trade and other receivables	**2018 $'000s**	**2017 $'000s**
Trade receivable account	21,871	26,599
Participation in research and development: Government of Israel	1,177	468
VAT authorities	637	1,004
Tax authorities	582	273
Construction contracts*	5,486	3,920
Prepaid expenses	3,827	3,835
Other debtors**	1,430	10,817
	35,010	**46,916**

*As of 31 December 2018, a sum of $1.7 million from this section is related to Contract Assets, as defined in IFRS 15.
**Other debtors in 2017 include $8.2m receivables due to selling a property which were received during 2018, see note 12.(1)

Construction contracts	31 December	
	2018 $'000s	**2017 $'000s**
Composition:		
Cumulative costs incurred due to works construction contracts	14,051	10,207
In addition – Recognised profits	3,462	1,472
Less accounts submitted to project customers	(12,027)	(7,759)
	5,486	**3,920**

The average credit period taken on sales of goods is 76 days (2017: 80 days). No interest is charged on the receivables. An allowance has been made at 31 December 2018 for estimated irrecoverable amounts from the sale of goods of $2,154 thousands (2017: $2,632 thousands). This allowance has been determined by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

As of 31 December 2018, trade receivable account includes amounts of $6.3 million, which maturity date has expired (including a receivable in the amount of $1.1 million that is overdue for more than a year), but the Group, based on past experience and on the credit quality of the debtors, has not made an allowance for doubtful debts since the Company expects that those debts are to be collectible.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Credit risk

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

19 Inventories

	31 December	
	2018 $'000s	**2017 $'000s**
Raw materials	5,435	6,527
Work-in-progress	2,612	3,134
Finished goods	14,813	13,577
	22,860	**23,238**

During 2018, $0.2 million of slow moving inventory was impaired, and expensed to the Profit and Loss account (2017: $0.7 million).

20 Property, plant and equipment ($'000s)

	Land and buildings(*)	Plant and equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
Cost						
At 1 January 2017	11,937	14,280	1,574	3,802	1,451	33,044
Additions	29	1,223	315	231	1,502	3,300
Disposals (***)	(4,718)	(457)	(60)	–	(427)	(5,662)
Acquisition of subsidiary(**)	–	78	37	–	–	115
Effect of translation adjustment	1,677	642	70	171	65	2,625
At 31 December 2017	8,925	15,766	1,936	4,204	2,591	33,422
Additions	–	1,421	238	103	58	1,820
Disposals	(236)	(603)	(211)	(9)	(122)	(1,181)
Effect of translation adjustment	(169)	(241)	(29)	(65)	(40)	(544)
At 31 December 2018	8,520	16,343	1,934	4,233	2,487	33,517

Continued overleaf

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Continued from previous page

	Land and buildings(*)	Plant and equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
Accumulated depreciation						
At 1 January 2017	3,612	10,140	733	3,559	922	18,966
Depreciation expense	339	891	176	138	163	1,707
Disposals (***)	(2,797)	(270)	(58)	–	(91)	(3,216)
Effect of translation adjustment	624	410	30	144	37	1,245
At 31 December 2017	1,778	11,171	881	3,841	1,031	18,702
Depreciation expense	292	1,008	251	163	150	1,864
Disposals	(59)	(474)	(161)	(1)	(122)	(817)
Effect of translation adjustment	(44)	(174)	(14)	(60)	(16)	(308)
At 31 December 2018	1,967	11,531	957	3,943	1,043	19,441
Carrying amount						
At 31 December 2018	**6,553**	**4,812**	**977**	**290**	**1,444**	**14,076**
At 31 December 2017	**7,147**	**4,595**	**1,055**	**363**	**1,560**	**14,720**

(*) see note 21
(**) see note 30
(***) see note 12

21 Investment property

	2018 $'000s	2017 $'000s
At 1 January	1,951	3,669
Addition to investment property	177	–
Disposal of investment property, net *	–	(1,702)
Depreciation expense	(88)	(132)
Exchange rate differences	(36)	116
At 31 December	**2,004**	**1,951**

* See also note 12
– The useful lives used; between 27-33 years.

Amounts recognised in the consolidated statements of profit or loss

	31 December	
	2018 $'000s	**2017 $'000s**
Rental income from investment property	200	608
Operating expenses related to income from investment property	(197)	(318)
Operating expenses related to investment property which produced no income	**(4)**	**(37)**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Additional Information

Fair value disclosures for investment properties measured using the cost model

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2018 are as follows:

	31 December 2018		31 December 2017	
	At amortised cost $'000s	Fair value level 3 $'000s	At amortised cost $'000s	Fair value level 3 $'000s
USA	1,214	1,482	1,094	1,221
Italy	790	1,251	858	1,309

The fair value was in Italy and in USA determined based on the market comparable approach that reflects recent transaction prices for similar properties, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

Average price market, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average price of $1,451 per square metre for the property in Italy and an average price of $125 per square foot for the property in USA.

22 Goodwill

The Group tests annually goodwill for impairment or more frequently if there are indications that goodwill might be impaired. The Group has two reportable business segments and goodwill is associated with CGUs within the Bio-Medical segment or CGUs within the Networking and Cyber segment. The goodwill regarding Bio-Medical at the amount of $9,791 thousand (2017: $9,896 thousand) has been divided into 5 CGUs: Eco-Med, Diagnostic, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution. The goodwill regarding Networking and Cyber segment at the amount of $6,552 thousand (2017: $6,921 thousand) has been divided into 2 CGUs: Telecommunications and Software services.

The goodwill is allocated to the following CGUs:

Eco-Med: $2,550 thousand (2017: $2,550 thousand)

Diagnostic: $1,598 thousand (2017: $1,649 thousand)

Distribution: $1,173 thousand (2017: $1,208 thousand)

Distributor and provider of genetics tests: $890 thousand (2017: $963 thousand)

Analytical instruments distribution: $3,580 thousand (2017: $3,526 thousand)

Telecommunications: $1,984 thousand (2017: $1,984 thousand)

Software services: $4,568 thousand (2017: $4,937 thousand)

The recoverable amounts of the CGUs are determined from value in use calculations except of the Diagnostic CGU. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Pre-tax discount rates of between 10.5% - 16.0% have been used. Changes in selling prices and direct costs are based on recent history and expectations of future changes in the market.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

The Group prepares cash flow forecasts derived from the most recent financial budget approved by management and extrapolates indefinite cash flows based on estimated growth rates. For the purposes of this calculation management have used revenue growth rates of 14% for year 1 and 10% for years 2-5, and then 1% thereafter, for the Telecommunications CGU and 7%, 10%, 5%, 5%, 5% for years 1-5 respectively, and then 1% thereafter, for the Software services CGU and 72% for year 1 and 15% for years 2-5, and then 1% thereafter for the Eco-Med CGU and 7% for year 1 and 9% for years 2-5, and then 1% thereafter for the Distribution CGU and 60%, 10%, 15%, 15%,15% for years 1-5 respectively, and then 1% thereafter for the Distributor and provider of genetics tests CGU and 34% for year 1 and 9% for years 2-5, and then 1% thereafter for the Analytical instruments distribution CGU.

The average fixed expenses have been assumed to grow at 12%, 4%, 4%, 4%, 4% for years 1-5 respectively, and then 4% thereafter in the Telecommunications and Software services CGU and (2)%, 5%, 5%, 5%, 5% for years 1-5 respectively, and then have been assumed to remain constant thereafter for Eco-Med, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution CGUs. The average variable expenses (directly linked to sales) have been assumed to grow at 4%, 10%, 6%, 6%, 6% for years 1-5 respectively, and then 1% thereafter for the Telecommunications and Software services CGUs, and 14%, 9%, 9%, 10%, 10% for years 1-5 respectively, and then 1% thereafter for the Eco-Med, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution CGUs. The rates used above reflect historical rates achieved and expected levels for 2019 but then are adjusted for subsequent years.

The recoverable amount of the diagnostics unit is determined based on the post period, announced, conditional agreement and according to it no impairment was required. See note 38.

Sensitivity of the recoverable amount to changes in the key assumptions

The recoverable amount of the Eco-Med activity is higher than the carrying amount in the amount of $4.8 million. Reduction of 8% growth rate taken into account in calculating the value in use of the activity will result in a decrease of $4.7 million recoverable amount of the activity and no goodwill impairment will be recorded. Decrease in growth rate as stated will lead to changes in other assumptions used in the calculation of value in use. Increase of 5% in pre-tax discount rate taken into account in calculating the value in use of the activity will result in a decrease of $4.7 million recoverable amount of the activity and no goodwill impairment will be recorded.

	2018 $'000s	**2017 $'000s**
Balance at 1 January	16,817	15,011
Additions in the year [*]	–	1,027
Foreign exchange difference	(474)	779
Balance at 31 December	**16,343**	**16,817**

[*] see note 30.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

23 Other intangible assets

	Customer Relationships and Backlog $'000s	Technology $'000s	Other $'000s	Total $'000s
Cost				
At 1 January 2017	15,417	13,382	2,174	30,973
Additions [*]	-	855	727	1,582
Effect of translation adjustments	1,085	457	155	1,697
At 31 December 2017	16,502	14,694	3,056	34,252
Classification from other receivables in 2017	–	524	–	524
Additions [*]	–	984	–	984
Effect of translation adjustments	(491)	(285)	(117)	(893)
At 31 December 2018	**16,011**	**15,917**	**2,939**	**34,867**
Accumulated amortisation				
At 1 January 2017	14,380	8,857	2,132	25,369
Effect of translation adjustments	1,076	281	50	1,407
Amortisation expense	642	576	131	1,349
At 31 December 2017	16,098	9,714	2,313	28,125
Effect of translation adjustments	(496)	(123)	(60)	(679)
Amortisation expense	177	890	76	1,143
At 31 December 2018	**15,779**	**10,481**	**2,329**	**28,589**
Carrying amount				
At 31 December 2018	**232**	**5,436**	**610**	**6,278**
At 31 December 2017	**404**	**4,980**	**743**	**6,127**

[*] Includes capitalised development costs (agri sterilisation devices, ATCA 510 and CloudMetro 10/100) according to IAS 38.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives.

Amortisation by categories:

Customer Relationships and Backlog: mainly 7 to 10 years

Technology: 3 to 11 years

Other: mainly 10 years

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

24 Subsidiaries and Joint venture

A list of the significant direct and indirect investments in subsidiaries, including the country of incorporation, and percent of ownership interest as at 31 December 2018 is presented below.

Subsidiary	Principal activity	Country of incorporation	Ownership interest	Date of acquisition
Entity A	Telecommunication	United States of America	100%	April 2000
Entity B	Distribution	Romania	100%	June 2007
Entity C	Software	Israel	100%	October 2007
Entity D	Distribution	Moldova	51%	July 2008
Entity E	Diagnostics	Italy	100%	November 2009
Entity F	Diagnostics	Italy	100%	February 2009
Entity G	Sterilisation	Hungary	75%	February 2008
Entity H	Cyber	Israel	67%	April 2012
Entity I	Distribution	Hungary	100%	January 2016
Entity J	Distribution	Israel	100%	January 2017
Entity K (*)	Diagnostics	Italy	50%	July 2016

(*) the main activity of the joint venture is R&D. The joint venture has yet generated no revenues and the amount of its assets and liabilities are immaterial.

25 Deferred tax

Deferred tax assets

The following are deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period (see also note 15).

	Retirement benefit obligations $'000s	Losses carried forward $'000s	Other(*) $'000s	Total $'000s
At 1 January 2017	141	4,215	(786)	3,570
Credit (charge) to income	(114)	(1,042)	309	(847)
Effect of translation adjustments	–	126	60	186
At 31 December 2017	27	3,299	(417)	2,909
Credit (charge) to income	8	(621)	451	(162)
Effect of translation adjustments	(3)	(87)	(2)	(92)
At 31 December 2018	**32**	**2,591**	**32**	**2,655**

(*) Including goodwill and other temporary differences

The Company incurred current tax losses in previous years in certain jurisdictions, to which deferred tax assets relate, to the extent that it is expected that future taxable profit will be available and can be utilised against them. The deferred tax assets are mainly attributed to profitable companies or to companies that have current losses but a history of profitable operations. The deferred tax assets were also analysed based on forecasted operations and existing agreements and backlog.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Deferred tax liabilities

	Losses carried forward $'000s	Intangible assets $'000s	Tangible assets and other $'000s	Total $'000s
At 1 January 2017	–	286	626	912
Acquisition of subsidiary	–	151	–	151
Credit to income	–	(146)	(640)	(786)
Effect of translation adjustments	–	(15)	74	59
At 31 December 2017	–	276	60	336
Credit to income	(346)	(133)	412	(67)
Effect of translation adjustments	–	(12)	(29)	(41)
At 31 December 2018	**(346)**	**131**	**443**	**228**

The following are unrecognised taxable temporary differences associated with investments and interests: Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised are attributable to: 31 December 2018 $16,484 thousand (31 December 2017: $13,406 thousand).

26 Financial liabilities and other

Trade and other payables

	31 December	
	2018 $'000s	**2017 $'000s**
Trade creditors	13,720	15,706
Salary accruals	6,693	7,125
VAT and other tax	1,488	4,182
Liability to the office of the chief scientist	498	491
Liability on acquisition of a subsidiary *	633	633
Provision	133	181
Other creditors and accruals **	10,248	9,289
	33,413	**37,607**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 77 days (2017: 59 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

* See also note 30

** Including a liability to a related party, amounts to $96 thousand that was repaid at the beginning of 2019.

Tax liabilities

As of 31 December 2017, including $1,939 thousand tax on selling of the building in Yokneam which was paid during 2018, see note 12.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Long-term bank credit

	31 December	
	2018 $'000s	**2017 $'000s**
Long-term bank credit	486	910
	486	**910**

Long-term liabilities

	31 December	
	2018 $'000s	**2017 $'000s**
Liability to the office of the chief scientist [1]	3,136	3,023
Liability on acquisition of a subsidiary	94	1,098
Government institutions and other	2,401	1,140
	5,631	**5,261**

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

Changes in financial liabilities where the cash flows in respect thereof are classified as cash flows from financing activities

2018	**Open balance $'000s**	**Cash flow from finance activities $'000s**	**Business combination $'000s**	**Foreign exchange differences $'000s**	**Close balance $'000s**
Short term	5,324	44	–	1	5,369
Long term	910	(404)	–	(20)	486
	6,234	**(360)**	**–**	**(19)**	**5,855**

2017	**Open balance $'000s**	**Cash flow from finance activities $'000s**	**Business combination $'000s**	**Foreign exchange differences $'000s**	**Close balance $'000s**
Short term	4,407	549	28	340	5,324
Long term	1,104	(451)	–	257	910
	5,511	**98**	**28**	**597**	**6,234**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

27 Share capital

	Ordinary shares of NIS 0.01 each (number of shares)	
	2018	**2017**
Authorised:	**1,000,000,000**	**1,000,000,000**
Issued and fully paid:	**403,600,820**	**403,300,820**

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

During 2018, 300,000 options were exercised by two employees, during 2017 150,000 options were exercised by one employee.

28 Investments

Investments and loan carried at FVTPL

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

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

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

In 2016 and 2017 the Company examined the value of the investment in IBC and found there was no change in the fair value compared with the end of 2015.

As of 1 January 2018, the date of initial application of IFRS 9, the Company's management decides to designate all its investments in IBC, which constitutes an investment in a capital instrument, as a FVTPL. In August 2018, Cellcom Israel Ltd ("Cellcom"), a leading telecommunications group, has entered a memorandum of understanding (the "Agreement") with the members of IBC, to acquire the consortium's stake in IBC. BATM will receive NIS12m (c. $3.2m) for its 7.5% interest in IBC. The Agreement is subject to the receipt of regulatory approval.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

29 Note to the cash flow statement

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Operating profit from operations	1,490	4,225
Adjustments for:		
Amortisation of intangible assets	1,143	1,349
Depreciation of property, plant and equipment and investment property	2,248	2,132
Capital gain of property, plant and equipment and other*	(1,585)	(5,455)
Revaluation of investment	(165)	–
Stock options granted to employees	58	109
Increase (decrease) in retirement benefit obligation	(153)	59
Decrease in provisions	(47)	(15)
Decrease (increase) in inventory	353	(2,629)
Decrease (increase) in receivables	4,824	(11,234)
Increase (decrease) in payables	(3,579)	10,552
Effects of exchange rate changes on the balance sheet	(990)	1,934
Income taxes paid	(419)	(512)
Income taxes received	2	1
Interest paid	(573)	(460)
Net cash from operating activities	**2,607**	**56**

* Included in other operating expenses

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

30 Business combinations

At the beginning of 2017, the Group acquired the entire issued share capital of Zer Laboratories for a consideration of NIS 2.75m (approximately $0.8m) payable in cash. Zer Laboratories is the largest private diagnostic laboratory in Israel for clinical tests, mainly providing prenatal screening tests for Down's syndrome, genetic tests and additional non-invasive prenatal tests (NIPT) performed during IVF and fertility treatments.

This transaction has been accounted for by the purchase method of accounting.

ZER LABORATORIES

	2017 US$ in thousands
Net assets acquired	
Property, plant and equipment	78
Net working capital	109
Retirement benefit obligation	(107)
	80
Deferred tax	(126)
Other intangible assets	586
Goodwill (*)	898
Onerous contracts	(169)
Total consideration	**1,269**
Satisfied by:	
Cash	804
Consideration recorded as a contingent liability (**)	465
	1,269
Net cash outflow arising on acquisition	
Cash consideration	804
Cash and cash equivalents acquired	–
	804

(*) the goodwill represents expected synergies from combining operations of the acquiree and the acquirer and intangible assets that do not qualify for separate recognition or other factors.

(**) see note 26

Zer Laboratories contributed $2,249 thousand revenue and loss of $418 thousand to the Group's profit before tax for the period between the date of acquisition and 31 December 2017.

GREEN LAB

In January 2016 the Group acquired 100% of the issued share capital of Green Lab for a consideration of $3,813 thousands payable in cash of $1,913 thousands on acquisition and $1,900 thousands over a three-year period -$633 thousands at the beginning of each year starting on January 2017. Green Lab is one of the leading distributors of analytical instruments for environmental and industrial sectors. Green Lab has exclusive relationships in Hungary with some of the most prominent operators in the industry.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

31 Guarantees and liens

The Group provided from time to time bank guarantees due to advances from customers.

The Company registered several liens in favour of banks.

32 Operating lease arrangements

The Group as lessee

	Year ended 31 December	
	2018 $'000s	**2017 $'000s**
Minimum lease payments under operating leases		
Recognised in profit or loss for the year	**2,352**	**2,045**
At the consolidated statements of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
	31 December	
	2018 $'000s	**2017 $'000s**
Within one year	2,387	2,325
In the second to fifth years inclusive	3,998	2,543
	6,385	**4,868**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years.

The Group as lessor

Property rental income earned during 2018 was $200,000 (2017: $609,000). The properties under lease agreements to third parties by the Group have committed tenants for most of the property for the next year. At the consolidated statements of financial position date, the Group had contracted with tenants for the following future minimum lease payments:

	31 December	
	2018 $'000s	**2017 $'000s**
Within one year	207	235
In the second to fifth years inclusive	249	495
	456	**730**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

33 Share-based payments

Equity-settled share option scheme

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

Options to certain management employees are exercisable at a price equal to the average quoted market price of the Company's shares over the 30 days before the date of grant.

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

	2018		2017	
	Number of share options	Weighted average exercise price (in GBP)	Number of share options	Weighted average exercise price (in GBP)
Outstanding at beginning of year	6,320,303	0.1985	6,462,711	0.2014
Granted during the year	4,000,000	0.2695	225,000	0.1840
Forfeited during the year	(1,113,705)	0.4197	(217,408)	0.2833
Exercise during the year	(300,000)	0.1817	(150,000)	0.1787
Outstanding at the end of the year	**8,906,598**	**0.2035**	**6,320,303**	**0.1985**
Exercisable at the end of the year	**4,806,595**	**0.1495**	**5,895,303**	**0.2004**

The options outstanding at 31 December 2018 had a weighted average exercise price of 0.2035 GBP, and a weighted average remaining contractual life of 7.53 years. 4,000,000 options were granted on 6 June. The aggregate of the estimated fair values of the options granted on this date according to the Black-Scholes model is $223,000. In 2017, options were granted on 17 August. The aggregate of the estimated fair values of the options granted on this date is $52,000.

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

	2018	2017
Weighted average share price (GBP)	0.26	0.26
Weighted average exercise price (GBP)	0.26	0.13
Expected volatility	32-90	24-90
Expected life	3-5	5-7
Risk-free rate	1.1%	1.3%
Expected dividends	0%	0%

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

The inputs into the Black-Scholes model for the options granted in 2018 are as follows:

	2018
Weighted average share price (GBP)	0.27
Weighted average exercise price (GBP)	0.27
Expected volatility	32
Expected life	3
Risk-free rate	0.81%
Expected dividends	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of $58,000 and $109,000 related to equity-settled share-based payment transactions in 2018 and 2017, respectively.

34 Retirement benefit obligation

Defined contribution plans

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

Total expenses related to the contribution retirement benefit schemes are: $979 thousand in the year 2018 (2017: $908 thousand).

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

Defined benefit plans

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

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

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 22 January 2019 by Elior Weissberg, FILAA on behalf of Elior Weissberg Ltd. a member of the Institute of Actuaries regarding the employees in Israel. The present value of the defined benefit, obligation, the related current service cost and past service cost were measured using the projected unit credit method. The discount rate was based on high quality corporate bonds.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

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

	2018	2017
Discount rate(s)	2.97%	2.81%
Expected rate(s) of salary increase	1-4%	0-5%
Expected inflation rate	1.57%	1.61%
Employee turnover rate	8%	8%

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

Service cost:

	2018 $'000s	2017 $'000s
Current service cost	173	240
Net interest expenses	19	22
Components of defined benefit costs recognised in profit or loss	**192**	**262**

Re-measurement on the net defined benefit liability:

	2018 $'000s	2017 $'000s
Return on plan assets (excluding amounts included in net interest expense)	127	56
Actuarial gains and losses arising from changes in financial assumptions	(12)	72
Actuarial gains and losses arising from other	(64)	(134)
Components of defined benefit costs recognised in other comprehensive	**51**	**(6)**

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

	2018 $'000s	2017 $'000s
Present value of funded defined benefit obligation	2,152	2,652
Fair value of plan assets	(1,576)	(1,970)
Net liability	576	682

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

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

	2018 $'000s	2017 $'000s
Opening defined benefit obligation	2,652	2,460
Current service cost	173	229
Interest cost	58	60
Remeasurement (gains)/losses arising from changes in financial assumptions	(82)	59
Benefits paid	(388)	(465)
Exchange rate differences	(261)	309
Closing defined benefit obligation	**2,152**	**2,652**

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

	2018 $'000s	2017 $'000s
Opening fair value of plan assets	1,970	1,984
Interest income	39	38
Premeasurements losses return on plan assets (excluding amounts included in net interest expense)	(136)	(46)
Contributions from the employer	108	148
Benefits paid	(268)	(362)
Exchange rate differences	(137)	208
Closing fair value of plan assets	**1,576**	**1,970**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

35 Related party transactions

Remuneration of key management personnel

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

Table A – Emoluments of the Directors with comparatives

	Salary $'000	Social Benefits $'000	Pension Benefits $'000	Performance Bonus $'000	2018 Total $'000	2017 Total $'000
Executive Directors						
Zvi Marom [1]	516	–	–	–	516	398
Moti Nagar [2]	244	24	11	50	329	231
Non-executive Directors						
Gideon Chitayat	56	–	–	–	56	56
Harel Locker	43	–	–	–	43	43
Ari Shamiss [3]	6	–	–	–	6	–
Varda Shalev [3]	4	–	–	–	4	–
Orna Pollack [4]	33	–	–	–	33	46
Avigdor Shafferman [4]	10	–	–	–	10	46

[1] The CEO, Dr. Zvi Marom, receives payment via a Service Agreement, which includes a basic annual salary and associated social and pension benefits according to his employment agreement. In 2018, shareholders approved an increase to Dr. Marom's annual base salary plus all relevant social benefits and taxes on this amount effective 1 January 2018. In 2018, Dr. Marom received an annual base salary of $382,000 (2017: $300,000) and social and pension benefits of $120,000 (2017: $98,000).

[2] In 2018, shareholders approved an increase in the monthly base salary of the CFO, Mr. Moti Nagar, from NIS 50,000 gross to NIS 60,000 gross plus all relevant social benefits and taxes on this amount effective 1 January 2018, and the payment of a bonus of three updated monthly salaries for his performance in 2017 based on the achievement of the financial targets set in his employment contract.

3] Prof. Shamiss and Prof. Shalev joined as directors effective 28 November 2018 so the amounts appearing in the table are pro rata for the one month and two days they were in office during 2018.

[4] Dr. Shafferman and Mrs. Pollack's terms of office as external directors expired in February and September 2018 respectively.

As at 31 December 2018, the total liability for payment related to wages for the Executive Directors was $48,000 (31 December 2017: $11,000), which was paid in January 2019 (2017 liability was paid in January 2018).

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Table B – Interests of the Directors

The interests of the Directors and their immediate families, both beneficial and non-beneficial, in the ordinary shares of the Company at 31 December 2018 and 2017 were as follows:

	2018 Ordinary shares	2017 Ordinary shares
Executive Directors		
Zvi Marom	96,694,500	96,694,500
Moti Nagar	–	–
Non-executive Directors		
Gideon Chitayat	3,000,000	3,000,000
Harel Locker	-	–
Ari Shamiss	–	–
Varda Shalev	–	–
Orna Pollack	–	–
Avigdor Shafferman	–	–

Share Options

During 2018 the EGM approved the grant of 4,000,000 options to purchase BATM shares to Dr. Zvi Marom, Executive Director and CEO. The exercise price per share was the average price of the Company's share on the FTSE during the month preceding the shareholders' approval of this transaction. The vesting periods of the options granted are as follows: at the end of twelve months – 0; at the end of 24 months – 50% of the above amount of options; and at the end of 36 months – 50% of the above amount of options, provided that (a) Dr. Zvi Marom remains in his position at the Company as of the date of each vesting and (b) the BATM Group has achieved a gross profit of at least USD $33 million for the previous calendar year in which the vesting date falls.

Table C- Share options

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

	As at 1 Jan 2018	Granted	Exercised	Lapsed	As at 31 Dec 2018	Exercise price (*)	Expiry date
Moti Nagar	3,906,200	–	–	–	3,906,200	0.1269	4 May 2025
Zvi Marom	–	4,000,000	–	–	4,000,000	0.2695	5 June 2028

(*) The exercise price per share calculated by average price of the Company's shares on the FTSE during the month preceding the grant date.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

Table D – Remuneration of key management personnel

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

	2018 $'000s	2017 $'000s
Short-term employee benefits	810	591
Post-employment benefits	7	12
Other long-term benefits	12	12
Termination benefits	16	14
	845	**629**

36 Financial Instruments

(a) Capital risk management

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

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

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

(c) Categories of financial instruments

	2018 $'000s
Financial assets	
Cash and cash equivalents*	20,811
Fair value through profit or loss	4,128
Fair value through OCI	509
Receivables	32,049
Financial liabilities	
At amortised cost	40,150
Fair value through profit or loss	727

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

	2017 $'000s
Financial assets	
Cash and cash equivalents*	18,182
Fair value through profit or loss held for trading	5,782
Receivables	45,638
Available for sale Investments carried at fair value	576
Financial liabilities	
At amortised cost	38,354
Fair value through profit or loss	5,504

*cash and cash equivalents comprises $4.0 million deposits up to three months and $16.8 million cash (2017: $6.3 million deposits up to three months and $11.8 million cash).

The majority of the assets included in fair value through profit or loss section measurements are level 1 fair value measurements, defined as those derived from quoted prices (unadjusted) in active markets for identical assets.

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

(d) Financial risk management objectives

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

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

(e) Market risk

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

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

(f) Foreign currency risk management

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

The Company does not implement hedge accounting.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

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

	Liabilities		Assets	
	2018 $'000s	2017 $'000s	2018 $'000s	2017 $'000s
New Israeli Shekel	9,860	16,489	15,860	32,560
Euro	16,815	15,424	8,912	9,505
MDL	2,588	2,769	4,409	3,804
Other	3,143	3,402	6,069	5,211

Foreign currency sensitivity

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

The following table details the Group's sensitivity to a 10 percent change in US$ against the respective foreign currencies in 2018 (2017: 10 percent). The 10 percent is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where the US$ weakens against the respective currency. If the US$ were to strengthen by the same percentage against the respective currency there would be a similar but reverse impact on the profit or loss and equity as presented in the tables below.

Profit or loss

	2018 $'000s	2017 $'000s
NIS Impact	196	349
Euro Impact	(175)	44

Equity

	2018 $'000s	2017 $'000s
NIS Impact	404	1,258
Euro Impact	(615)	(636)
MDL Impact	182	104
Other currencies Impact	287	185

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

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

During the year the Company engaged in three financial instruments which resulted in $444 thousand recorded as finance income (2017: ten financial instruments which resulted in $242 thousand recorded as finance expenses).

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

(g) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposure to interest rate on financial assets and financial liabilities are detailed below (refer to section h). The exposure to floating rate loans is not material.

(h) Liquidity risk management

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

Financial liabilities

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	Total
	%	$'000s	$'000s	$'000s	$'000s
31 December 2018					
Non-interest bearing	–	30,660	577	5,959	37,196
Bank loans interest bearing (*)	2.75	2,259	3,028	486	5,773
		32,919	3,605	6,445	42,969
31 December 2017					
Non-interest bearing	–	32,120	566	5,483	38,169
Bank loans interest bearing (*)	4.11	4,909	415	910	6,234
		37,029	981	6,393	44,403

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

The future bank loan interest to be paid is $149 thousand.

(i) Finance liabilities

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

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

Fair value through profit or loss	31 December	
	2018 $'000s	**2017 $'000s**
Opening balance	3,514	3,570
Losses/(Gains) in profit or loss(*)	502	(176)
Received	124	609
Paid	(506)	(489)
Closing balance	**3,634**	**3,514**

(*) Mainly in R&D

The liability was measured using the discounted cash flow (DCF) method. The discount rate used to measure the liability is 15.99%.If the discount rate decreased by 1% the liability will increase by $119 thousand.

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

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

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

	31 December	
	2018 $'000s	**2017 $'000s**
Opening balance	51	46
Translation differences	(4)	5
Closing balance	**47**	**51**

37 Non-cash transactions

In 2017, other receivables included $5.8m excluding VAT with regards to the selling of the building (see note 12), which was received during 2018.

The acquisition of Zer Laboratories at the beginning of 2017 was for a total consideration of $1,269 thousand, of which $804 thousand was paid in cash on the acquisition date and $465 thousand was recorded as a contingent liability and presented as non-cash transaction (note 30).

In 2016 the acquisition of Green Lab was for a total consideration of $3.8m payable over a three-year period of which: $1.9m was paid in 2016, $0.6m was paid in 2017, $0.6m was paid in 2018 and the remaining $0.7m is to be paid in 2019.

See also note 12 with respect to the capital gain recorded in 2018.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2018

38 Post balance sheet events

The Group achieved a significant milestone post period, as announced on 28 January 2019, with the signing of a conditional agreement for an investment of up to $30m to provide additional funds for the commercialisation of NATlab. The majority of this conditional investment – up to $25m – is to be provided by leading medical investors from the US and Puma Brandenburg Investments Ltd. The conditional investment, which will be made into a new company that will own 100% of Ador, is expected to be invested in two tranches. An initial $14.5m was funded in April 2019 and a further $15.5m is expected by the end of 2020, subject to certain milestones being achieved. Following the initial investment, the new company has a valuation of $45m and BATM has an ownership interest of 38.2%.

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BATM Advanced Communications Ld - BVC BATM Cyber Security Partnership with Clavister
Released 07:00 10-Jun-2019

RNS Number : 6022B
BATM Advanced Communications Ld
10 June 2019

LEI: 213800FLQUB9J289RU66

10 June 2019

BATM Advanced Communications Limited
("BATM" or "the Group")

BATM enters new markets with Clavister virtual networking partnership

Virtualised cybersecurity application expands NFVTime addressable market to industrial IoT and automotive computing, marking further progress under strategic agreement with Arm

BATM (LSE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces that Telco Systems, a wholly-owned high-end software development and design business within the Group's Networking & Cyber division, has entered into a strategic technology partnership with Clavister, a leader in high-performance cybersecurity solutions, to run its virtualised platform optimised for Arm-based infrastructure on the Group's NFVTime solution.

This represents the latest milestone in delivery under the Group's agreement with Arm to develop a full ecosystem of virtual network function ("VNF") services that are optimised to run on Arm's architecture and to be used by Arm partners. In addition, this partnership expands the target market for the NFVTime offering to the industrial internet of things (IoT) and automotive computing sectors where Clavister has an established position.

As part of the partnership, Clavister's virtualised cybersecurity platform will be available as a VNF service running on the operating system of the Group's NFVTime solution that can turn any commercial off-the-shelf x86 (Intel) or Arm-based hardware device into a fully operational virtual networking device. Telco Systems and Clavister will also market the joint offering, initially targeting Tier 1 telecommunications providers that have committed to a network virtualisation strategy and require Arm-ready security solutions.

Dr Zvi Marom, CEO of BATM, said: "This partnership enriches our telecoms network virtualisation offering with the addition of Clavister's high-performance cybersecurity solutions. It represents a further milestone under our agreement with Arm to develop a full ecosystem of VNFs that are optimised to run on Arm's architecture. It also extends our reach into the industrial IoT and automotive computing sectors, which are important growth markets for network virtualisation. We look forward to working with Clavister and Arm on this joint offering and to continuing to expand our broad portfolio of VNFs available on our NFVTime solution."

John Vestberg, CEO at Clavister, added: "We're very happy to join this fantastic partnership, which forms an important element of our growth strategy to work with all our technology alliance partners to their maximum potential. Clavister's Arm-based security platform will be embedded in the heart of virtualisation, IoT and automotive solutions, while partnering with Telco Systems will further strengthen our ability to execute our growth strategy in the telco sector."

Kevin Ryan, Senior Director of Software Ecosystem Development, Infrastructure Line of Business at Arm, commented: "We are continuing to develop, expand, and diversify the application ecosystem for Arm Neoverse™ platforms through collaborations with solution providers like Clavister. By working with Clavister to provide a virtualised security platform optimised for Arm-based infrastructure solutions, we enable a compelling option for fortifying cloud and networking platforms."

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Regulatory Story

Go to market news section

BATM Advanced Communications Ld - BVC New solution under NXP Semiconductors partnership
Released 07:00 17-Jun-2019

RNS Number : 3937C
BATM Advanced Communications Ld
17 June 2019

LEI: 213800FLQUB9J289RU66

17 June 2019

BATM Advanced Communications Limited
("BATM" or "the Group")

BATM to launch market-leading solution under NXP Semiconductors partnership

New NFVTime technology significantly enhances NFV performance with NXP processors built on Arm technology

BATM (LSE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces that it has developed a new technology under its long-standing partnership with NXP Semiconductors N.V. (NASDAQ: NXPI) ("NXP") to enable a significant increase in network traffic, without requiring an increase in computing power, when licensing the Group's NFVTime on certain NXP processors built on Arm core technology. It represents the completion in delivery of a key milestone under the Group's strategic agreement with Arm.

The new technology, which has been developed by the Group's wholly-owned subsidiary, Telco Systems, will allow large enterprises and operators to achieve significantly superior performance levels on a cost-effective small to medium uCPE solution. It achieves this by enabling all virtual open switching to be conducted by already existing hardware components (offloading from the CPU load), which improves processor performance and frees valuable processing resources.

Telco Systems' performance tests of this solution compared with standard software-based virtual open switching have demonstrated a three to five-times increase in virtual network traffic. Another key achievement was approximately halving the latency rate despite the increase in data being sent. In addition, by freeing processor resources, more Virtual Network Functions ("VNFs") can be run or higher VNF performance can be achieved. As a result, customers can benefit from significantly increased performance without being required to increase computing power that would result in greater device size, power consumption, operational efforts and, consequently, cost. This provides a substantial advantage in using virtual networks.

This advanced hardware offloading capability, which enhances the performance of the Group's NFVTime network virtualisation operating system, is integrated with NXP's Layerscape® LS2088A and LS1088A multicore processors, which are based on Arm technology.

Dr Zvi Marom, Chief Executive Officer of BATM, said: "The development of this new solution represents another significant step forward in our network function virtualisation strategy and another milestone delivered under our agreement with Arm. Through bringing this capability to NFVTime, in partnership with Arm and NXP, a major supplier of Arm technology-based chips, we'll be able to offer customers major performance enhancements compared with competing offers without increasing their costs. We are confident that this solution will be well-received by the market. As we continue to advance our technology, users of our solutions will be able to gain even more from their networks and optimise performance."

"NXP's Layerscape multicore processors implement a balanced mix of CPU cores, hardware acceleration and high-speed I/O to deliver efficient networking performance for today's virtualised networking tasks," added Tareq Bustami, Senior Vice President and General Manager for Digital Networking at NXP. "Combined with Telco Systems' optimised NFVTime software platform, the solution will enable more efficient and cost-effective customer premise networking."

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ution under NXP Semiconductors partnership - RNS

BATM Advanced Communications Ld - BVC
Released 17:26 24-Jun-2019

Proposed Fundraise to raise a minimum of US$15m

RNS Number : 2538D
BATM Advanced Communications Ld
24 June 2019

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For immediate release

24 June 2019

BATM Advanced Communications Limited
("**BATM**" or the "**Company**" or the "**Group**")

Proposed Fundraise to raise a minimum of US$15 million

BATM (LSE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, today announces its intention to raise not less than US$15 million (£11.8 million), before expenses, by way of a placing (the "**Placing**") and direct subscription ("**Subscription**") of new ordinary shares of 0.01 NIS each (together "**New Ordinary Shares**") in the Company at a price of 42.5 pence per New Ordinary Share ("**Issue Price**"), with certain eligible existing shareholders and new institutional and other investors (the Placing and the Subscription together being the "**Proposed Fundraise**").

Dr Zvi Marom, CEO of BATM, said: "Over the past three years, we have been made investments in our businesses that have enabled us to produce differentiated and best-in-class products that are now entering the commercialisation phase. In our Networking & Cyber division, we established a partnership with Arm to develop a network function virtualisation ("**NFV**") ecosystem based on their Neoverse architecture - becoming the only worldwide software vendor to provide NFV functionality to Arm and Intel platforms. The net proceeds of the Proposed Fundraise are expected to be utilised primarily to advance our NFV. Specifically, one of the main use of funds is to accelerate current NFV development projects with Arm as well as new product and use case development for 5G networks, which we believe is a key growth area for BATM in the short to medium term."

Shore Capital Stockbrokers Ltd ("**Shore Capital**") is acting as sole bookrunner (the "**Bookrunner**") in connection with the Placing. Rosario Capital Ltd and its subsidiaries ("**Rosario**") is acting as the Company's adviser solely in relation to the Subscription by certain institutional investors based in Israel.

Highlights

- The Company intends to raise not less than US$15 million in the Proposed Fundraise.
- The Proposed Fundraise is being conducted via an accelerated bookbuild (the "**Bookbuild**") expected to close no later than 8 a.m. on 25 June 2019. The Bookbuild will be launched immediately following this announcement and the Bookbuild is subject to the terms and conditions set out in the Appendix to this announcement.
- The Company has received indications from a number of its largest existing shareholders that they will participate in the Proposed Fundraise.
- The net proceeds of the Proposed Fundraise are expected to be utilised as follows:
    - Networking & Cyber division (approx. 90% of funds raised):
        - potential acquisition opportunities;
        - acceleration of current NFV development projects with Arm;
        - new product and use case development for 5G (MEC);
        - completion of development of CyberGuard product for NFV use cases;
        - accelerating proof-of-concepts and working capital for existing NFV and cyber products; and
        - marketing and sales initiatives.
    - Bio-Medical division (approx. 10% of funds raised):
        - acceleration of current development, deployment and certifications (including patents) in molecular biology diagnostics; and
        - acceleration of agri-waste and pharma-waste treatment installations.
- Completion of the Proposed Fundraise is not subject to Shareholder approval and will be conducted under existing share capital authorities.
- The New Ordinary Shares will rank equally with the Company's existing issued ordinary shares.

In addition, the Company is exploring a potential dual listing on the Tel Aviv Stock Exchange (TASE) to benefit from access to a wide range of investors and to create greater value for all shareholders.

Company Highlights

- BATM is a provider of real-time technologies focusing on two application areas: networking & cyber, and bio-medical. The Group's activities are built on strong patent-backed IP, based on its expertise in algorithms and software development. The Networking & Cyber division provides network function virtualisation, carrier ethernet and cyber network monitoring solutions. The Bio-medical division is focused on medical diagnostic solutions and bio-waste treatment and sterilisation. Both divisions operate in large, growth markets.

- The Company believes that its two foremost growth opportunities are:

  - NFV: The Group's operating system (NFVTime-OS) is the only commercially available solution to run on both Intel and Arm NFV platforms. The Group has a strategic partnership with Arm to advance the Arm-based NFV ecosystem, with the Group's solution being integrated into the products of major chipmakers, including NXP Semiconductors. BATM is strategically well-placed to benefit as network functions become increasingly virtualised.

  - Molecular diagnostics: The Group's joint venture, Ador Diagnostics, is developing a new product designed to enable rapid, accurate, sample-to-answer diagnosis of bacterial, viral or fungal infections in under an hour using DNA sampling. In January 2019, Ador secured up to US$30 million of investment for this multiplexed molecular diagnostics system. The Group is targeting commercialisation in 2020.

- Recent developments in the Networking & Cyber division, include:

  - Launched a new technology under its long-standing partnership with NXP Semiconductors to enable a significant increase in network traffic, without requiring an increase in computing power, when licensing the Group's NFVTime on certain NXP processors built on Arm core technology.
  - Entered into a strategic technology partnership with Clavister, a leader in high-performance cybersecurity solutions, to run its Arm-optimised virtualised cybersecurity platform on NFVTime.
  - Received an initial US$2 million contract from a branch of a national armed forces, a new customer, for the provision of a combined cyber security and networking solution to be delivered over an approximate 18-month period.

- Recent developments in the Bio-medical division, include:

  - Completion of the initial investment of US$14.5 million under the agreement for up to US$30 million to provide additional funds for the commercialisation of the molecular biology-based solutions being developed by Ador Diagnostics.
  - Received a contract from a major food manufacturing group in the Philippines for the Group's agri-waste treatment solution - representing the Group's first customer for this solution outside of Israel.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS	**Dates**
Announcement of the Proposed Fundraise	24 June 2019
Completion of the Proposed Fundraise*, Admission effective and dealings expected to commence in the New Ordinary Shares on the Main Market	8.00 a.m. on 1 July 2019
New Ordinary Shares credited to CREST stock accounts*	1 July 2019

*Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through a Regulatory Information Service. References to time in this announcement are to London time.

Additional information on the Proposed Fundraise and the Bookbuild

The final number of New Ordinary Shares to be issued pursuant to the Proposed Fundraise will be determined following the close of the Bookbuild.

The timing of the closing of the Bookbuild and allocations of the New Ordinary Shares are at the discretion of the Bookrunner (in the UK), Rosario (in Israel) and the Company. The details of the results of the Proposed Fundraise will be announced as soon as practicable after the close of the Bookbuild. Your attention is drawn to the detailed terms and conditions of the Proposed Fundraise described in Appendix 1 which forms part of this announcement.

By choosing to participate in the Proposed Fundraise and by making an oral and legally binding offer to acquire New Ordinary Shares, investors will be deemed to have read and understood this announcement in its entirety (including the Appendices) and to be making such offer on the terms and subject to the conditions in it, and to be providing the representations, warranties and acknowledgements contained in the Appendix.

The New Ordinary Shares will be allotted under the Company's existing shareholder authorities granted at the annual general meeting of the Company on 28 November 2018. The Company's Articles do not contain any pre-emption rights and there is therefore no obligation on the Company to first offer any New Ordinary Shares to existing shareholders of the Company in the Proposed Fundraise.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the premium segment of the Main Market. It is expected that Admission will become effective at 8.00 a.m. on 1 July 2019.

The Placing will be subject to the terms and conditions of the placing agreement to be entered into between the Bookrunner and the Company.

Further updates will be provided as and when appropriate.

Enquiries:

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Market Abuse Regulation

This announcement is released by BATM Advanced Communications Limited and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of BATM Advanced Communications Limited was Dr Zvi Marom, Chief Executive Officer.

Important Notices

This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue, or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The distribution of this announcement and the offering of the New Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or Shore Capital that would permit an offering of such shares or possession or distribution of this announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company and Shore Capital to inform themselves about, and to observe such restrictions.

This announcement is being issued by and is the sole responsibility of the Company. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by Shore Capital, Rosario nor any of their affiliates, agents, directors, officers, employees or advisers ("**Affiliates**") for the contents of this announcement, or any other written or oral information made available to or publicly available to any interested party or its advisers, or any other statement made or purported to be made by or on behalf of Shore Capital, Rosario or any of their Affiliates in connection with the Company or the Proposed Fundraise and any responsibility therefor is expressly disclaimed. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by Shore Capital, Rosario or any of their Affiliates as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

Forward-looking statements

Certain statements, beliefs and opinions in this announcement are forward-looking, which reflect the Company's or, as appropriate, the Company's directors' current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by applicable law or regulation, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

Target Market Assessment

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended from time to time ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: (a) the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; (b) the New Ordinary Shares offer no guaranteed income and no capital protection; and (c) an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Shore Capital will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

Further notices

Shore Capital is regulated by the FCA, is acting exclusively for the Company and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Shore Capital or for providing advice in relation to the matters described in this announcement.

No statement in this announcement is intended to be a profit forecast or estimate, and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

This announcement does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the New Ordinary Shares. Any investment decision to buy New Ordinary Shares in the Proposed Fundraise must be made on the basis of the terms and conditions set out in the Appendix to this announcement. The price of Ordinary Shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

APPENDIX I: TERMS AND CONDITIONS OF THE PROPOSED FUNDRAISE

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS", AS DEFINED IN ARTICLE 2.1(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), AS AMENDED (THE "PROSPECTUS DIRECTIVE"), (B) IF IN THE UNITED KINGDOM, PERSONS WHO (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS WHO FALL WITHIN THE DEFINITION OF "INVESTMENT PROFESSIONALS" IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED ("ORDER") OR FALL WITHIN THE DEFINITION OF "HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC." IN ARTICLE 49(2)(A) TO (D) OF THE ORDER AND (II) ARE "QUALIFIED INVESTORS" AS DEFINED IN SECTION 86 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED ("FSMA") OR (C) PERSONS TO WHOM IT MAY BE COMMUNICATED IN ACCORDANCE WITH THE ISRAELI SECURITIES LAW (D) PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (EACH, A "RELEVANT PERSON"). NO OTHER PERSON SHOULD ACT ON OR RELY ON THIS ANNOUNCEMENT AND PERSONS DISTRIBUTING THIS ANNOUNCEMENT MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. BY ACCEPTING THE TERMS OF THIS ANNOUNCEMENT, INVESTORS REPRESENT AND AGREE THAT THEY ARE A RELEVANT PERSON.

THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT OR THE PROPOSED FUNDRAISE RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

Introduction

These terms and conditions apply to persons making an offer to acquire Placing Shares under the Proposed Fundraise. Each person to whom these conditions apply, as described above, who confirms his agreement to the Bookrunner (in the UK) or Rosario (in Israel) (whether orally or in writing) to acquire New Ordinary Shares under the Proposed Fundraise (an "**Investor**") hereby agrees with the Bookrunner, Rosario and the Company to be bound by the contract note issued by the Bookrunner (in the UK) or Rosario (in Israel) to such Investor and these terms and conditions, being the terms and conditions upon which Placing Shares will be sold under the Proposed Fundraise. An Investor shall, without limitation, become so bound when the Bookrunner (in the UK) or Rosario (in Israel) confirms to such Investor its allocation of Placing Shares under the Proposed Fundraise.

Upon being notified of its allocation of Placing Shares in the Proposed Fundraise, an Investor shall be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

These terms and conditions of the Placing will also apply to the Subscription with the necessary changes. The Subscription is being managed on behalf of the Company by Rosario in the State of Israel. Only Rosario will be acting for the Company in respect of the Subscription and Shore Capital has no involvement whatsoever and no liability to any party subscribing for Ordinary Shares being issued pursuant to the Subscription. The Subscription will be carried out and the terms and conditions relevant to the Subscription, will take place only in the State of Israel. For the avoidance of doubt, these terms and conditions together with the Tofes Hazmana issued by Rosario to Subscribers under the terms of the Subscription (Subscription Form), set out the full and complete offer of New Ordinary Shares to Subscribers. While both the Placing and the Subscription would take place under the laws of England and Wales and be subject to the exclusive jurisdiction of the courts in England and Wales, the Israeli Securities Law and regulations promulgated thereunder (Israeli Securities Laws) will apply to the Subscription and to the extent that there is any conflict between the Israeli Securities Laws and the terms and conditions, the Israeli Securities Laws will take precedence in respect of the Subscription. Furthermore, the Company is incorporated under the laws of the State of Israel and to the extent it is relevant Israeli Companies law applies to the Company.

Application for Admission

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on the Main Market. Subject to the satisfaction or waiver of the conditions of the Placing Agreement (the "Conditions"), it is expected that Admission will take place and dealings in the Placing Shares will commence on 1 July on or around 8.00 a.m.

Bookbuilding Process

Commencing today, the Bookrunner will be conducting an accelerated bookbuilding process to determine demand for participation in the Placing by Placees (the "**Bookbuilding Process**"). At the same time Rosario will be carrying out the Subscription by inviting potential subscribers to participate in the Subscription. This Announcement gives details of the terms and conditions of, and the mechanics of participation in, the Placing, and to the extent not overridden by the Rosario Order, the Subscription. No commissions will be paid by or to Placees in respect of any participation in the Placing or subscription for Placing Shares.

Participation in, and principal terms of, the Bookbuilding Process

Participation in the Placing is by invitation only and will only be available to persons who may lawfully be, and are, invited to participate by the Bookrunner. The Bookbuilding Process will establish the number of Placing Shares to be issued pursuant to the Placing at the Placing Price.

The book will open with immediate effect. The Bookbuilding Process is expected to close not later than 8.00 am on 25 June 2019, but may be closed at such earlier or later time as the Bookrunner may, in its absolute discretion (after consultation with the Company), determine. A further announcement will be made following the close of the Bookbuilding Process detailing the number of New Ordinary Shares to be subscribed for by the Placees and the Subscribers at the Placing Price.

A bid in the Bookbuilding Process will be made on the terms and conditions in this Announcement and will be legally binding on the Placee on behalf of which it is made and, except with the Bookrunner's consent, will not be capable of variation or revocation after the close of the Bookbuilding Process.

A Placee who wishes to participate in the Bookbuilding Process should communicate its bid by telephone to its usual sales contact at the Bookrunner. Each bid should state the number of Placing Shares that the prospective Placee wishes to subscribe for at the Placing Price. If successful, the Bookrunner will re-contact and confirm orally to Placees following the close of the Bookbuilding Process the size of their respective allocations and a trade confirmation will be despatched as soon as possible thereafter. The Bookrunner's confirmation (either oral or written) of the size of allocations will constitute an irrevocable legally binding agreement in favour of the Company and the Bookrunner pursuant to which each such Placee will be required to accept the number of Placing Shares allocated to the Placee at the Placing Price and otherwise on the terms and subject to the conditions set out in these terms and in accordance with the Company's articles of association. Each Placee's allocation and commitment will be evidenced by a trade confirmation issued by the Bookrunner to such Placee. The terms of this Appendix will be deemed incorporated in that trade confirmation.

The Bookrunner reserves the right to scale back the number of Placing Shares to be subscribed by any Placee in the event that the Placing is oversubscribed. The Bookrunner also reserves the right not to accept offers to subscribe for Placing Shares or to accept such offers in part rather than in whole. The acceptance and, if applicable, scaling back of offers shall be at the absolute discretion of the Bookrunner.

Each Placee's obligations will be owed to the Company and to the Bookrunner. Following the oral confirmation referred to above, each Placee will also have an immediate, separate, irrevocable and binding obligation, owed to the Company and the Bookrunner, as agent of the Company, to pay to the Bookrunner (or as the Bookrunner may direct) in cleared funds on the date specified an amount equal to the product of the Placing Price and the number of Placing Shares allocated to such Placee.

To the fullest extent permissible by law, neither the Bookrunner, any subsidiary of the Bookrunner, any branch, affiliate or associated undertaking of the Bookrunner or of any such subsidiary nor any of their respective directors, officers, employees, agents or advisers ("**Bookrunner Affiliate**") nor any person acting on their behalf shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise). In particular, neither the Bookrunner, any Bookrunner Affiliate nor any person acting on their behalf shall have any liability (including, to the extent legally permissible, any fiduciary duties), in respect of its conduct of the Bookbuilding Process or of such alternative method of effecting the Placing as the Bookrunner may determine.

All obligations of the Bookrunner under the Placing will be subject to fulfilment of the conditions referred to in this Announcement including without limitation those referred to below under "**Conditions of the Placing**".

Conditions of the Placing

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The obligations of the Bookrunner under the Placing Agreement are conditional, among other things, upon:

(i) the release of this Announcement;

(ii) **the Admission of the Placing Shares occurring not later than 1 July 2019 or such later time and/or date as the Bookrunner and the Company may agree (but in any event not later than 31 July 2019);**

(iii) the warranties on the part of the Company contained in the Placing Agreement being true and accurate and not misleading on and as of the date of the Placing Agreement and at Admission;

(iv) there not having arisen or occurred before either Admission any matter, fact, circumstance or event, such that in the opinion of the Bookrunner, a supplementary circular or announcement is required to be made unless a supplementary document has been published or an announcement has been released to a RIS; and

(v) the Company having complied with its obligations under the Placing Agreement to the extent they fall to be performed prior to the Admission.

If (a) the Conditions of the Placing are not fulfilled (or to the extent permitted under the Placing Agreement waived by the Bookrunner), or (b) the Placing Agreement is terminated in the circumstances specified below, the Placing will lapse and each Placee's rights and obligations arising under these terms shall cease and determine at such time and no claim may be made by a Placee in respect thereof.

Neither of the Bookrunner, any Bookrunner Affiliate, Rosario or the Company, nor any subsidiary of the Company, nor any branch, affiliate or associated undertaking of any such company nor any of their respective directors, officers and employees (each a "**Company Affiliate**") shall have any liability to any Placee or Subscriber (or to any other person whether acting on behalf of a Placee or a Subscriber or otherwise) in respect of any decision it may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition in the Placing Agreement or in respect of the Placing or the Subscription generally.

By participating in the Placing, each Placee agrees that the Bookrunner's rights and obligations in respect of the Placing may terminate, inter alia, in the circumstances described below under "**Right to terminate the Placing Agreement**".

Right to terminate the Placing Agreement

The Bookrunner has the right to terminate the Placing Agreement in certain circumstances prior to either Admission, in particular, where any warranty was, when given, untrue, inaccurate or misleading, or where any warranty is not, or has ceased to be, true, accurate or not misleading (or would not be true, accurate or not misleading if then repeated) by reference to the facts subsisting at the relevant time, where the Company has failed to comply with certain of its obligations under the Placing Agreement, or upon the occurrence of a force majeure event or a material adverse change in the financial or trading position or prospects of any member of the Group.

By participating in the Placing, each Placee agrees with the Bookrunner that the exercise by the Bookrunner of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of the Bookrunner and that the Bookrunner need not make any reference to the Placees in this regard and that, to the fullest extent permitted by law, neither the Company, the Bookrunner, any Bookrunner Affiliate nor any Company Affiliate shall have any liability whatsoever to the Placees in connection with any such exercise or failure to so exercise.

No Prospectus

No offering document or prospectus has been or will be prepared in relation to the Placing or the Subscription and no such prospectus is required (in accordance with the Prospectus Directive and the Israeli Securities Law) to be published or submitted to be approved by the FCA and Placees' commitments will be made solely on the basis of the information contained in this Announcement and any other Company announcement.

Each Placee, by accepting a participation in the Placing, agrees that the content of this Announcement is exclusively the responsibility of the Company and confirms to the Bookrunner, Rosario and the Company that it has neither received nor relied on any information, representation, warranty or statement made by or on behalf of the Bookrunner or Rosario (other than the amount of the relevant Placing participation in the oral confirmation given to Placees and the trade confirmation referred to below), any Bookrunner or Rosario Affiliate, any persons acting on its or their behalf or the Company or any Company Affiliate and neither the Bookrunner, Rosario, any Bookrunner or Rosario Affiliate, nor any persons acting on their behalf, the Company, any Company Affiliate nor any persons acting on their behalf will be liable for the decision of any Placee to participate in the Placing based on any other information, representation, warranty or statement which the Placee may have obtained or received (regardless of whether or not such information, representation, warranty or statement was given or made by or on behalf of any such persons). By participating in the Placing, each Placee acknowledges to and agrees with its respective Bookrunner, for itself and as agent for the Company that (except for, in relation to the Company, the information contained in this Announcement) it has relied on its own investigation of the business, financial or other position of the Company in deciding whether to participate in the Proposed Fundraise. Nothing in this paragraph shall exclude the liability of any person for fraud or fraudulent misrepresentation.

Registration and settlement

Settlement of transactions in the Placing Shares (and/or the DIs) following Admission will take place within the CREST system, using the delivery versus payment mechanism, subject to certain exceptions. The Bookrunner reserve the right to require settlement for and delivery of the Placing Shares to Placees by such other means as they may deem necessary, including, without limitation, if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this Announcement or would not be consistent with the regulatory requirements in the Placee's jurisdiction.

The expected timetable for settlement will be as follows:

Trade Date	26 June 2019
Settlement Date	1 July 2019
ISIN Code	IL0010849045
SEDOL	0911146
Deadline for input instruction into CREST	26 June 2019

Each Placee allocated Placing Shares in the Placing will be sent a trade confirmation stating the number of Placing Shares allocated to it, the Placing Price, the aggregate amount owed by such Placee to the Bookrunner and settlement instructions. Placees should settle against the CREST ID provided to them by the Bookrunner. It is expected that such trade confirmation will be despatched on the expected trade date shown above. Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions which it has in place with the Bookrunner, as applicable.

It is expected that settlement will take place on the relevant Settlement Dates shown above on a delivery versus payment basis in accordance with the instructions set out in the trade confirmation unless otherwise notified by the Bookrunner.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of **two percentage points above the base rate of HSBC Bank Plc**.

Each Placee is deemed to agree that if it does not comply with these obligations, the Bookrunner may sell any or all of the Placing Shares allocated to the Placee on such

Placee's behalf and retain from the proceeds, for the relevant Bookrunner's own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf.

If Placing Shares are to be delivered to a custodian or settlement agent, the Placee should ensure that the trade confirmation is copied and delivered immediately to the relevant person within that organisation.

Insofar as Placing Shares are registered in the Placee's name or that of its nominee or in the name of any person for whom the Placee is contracting as agent or that of a nominee for such person, such Placing Shares will, subject as provided below, be so registered free from any liability to any levy, stamp duty or stamp duty reserve tax. If there are any circumstances in which any other stamp duty or stamp duty reserve tax is payable in respect of the issue of the Placing Shares, neither the Bookrunner nor the Company shall be responsible for the payment thereof. Placees will not be entitled to receive any fee or commission in connection with the Placing.

Agreement to acquire Placing Shares

Conditional on Admission occurring and becoming effective by 8.00 a.m. (London time) on 1 July 2019 (or such later time and/or date as the Company and the Bookrunner may agree) and on the Placing Agreement being otherwise unconditional in all respects and not having been terminated in accordance with its terms on or before Admission, an Investor agrees to become a member of the Company and agrees to acquire Placing Shares at the Placing Price. The number of Placing Shares acquired by such Investor under the Placing shall be in accordance with the arrangements described above.

Payment for Placing Shares

Each Investor undertakes to pay the Placing Price for the Placing Shares acquired by such Investor in such manner and at such time as shall be directed by the Bookrunner (in the UK) or Rosario (in Israel). In the event of any failure by an Investor to pay as so directed, the relevant Investor shall be deemed hereby to have appointed the Bookrunner (in the UK) or the Company (in Israel) or heir nominees to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment has not been made as so directed and to have agreed to indemnify on demand that Bookrunner or the Company in respect of any liability for stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

Representations and warranties

By receiving this announcement, each Investor and, to the extent applicable, any person confirming his agreement to acquire Placing Shares on behalf of an Investor or authorising Bookrunner to notify an Investor's name to the Registrars, is deemed to acknowledge, agree, undertake, represent and warrant to the Bookrunner, the Registrars and the Company that:

(i) the Investor has read this Announcement in its entirety and acknowledges that its participation in the Placing shall be made solely on the terms and subject to the conditions set out in these terms and conditions, the Placing Agreement and the Articles. Such Investor agrees that these terms and conditions and the contract note issued by the Bookrunner to such Investor represent the whole and only agreement between the Investor, the Bookrunner and the Company in relation to the Investor's participation in the Placing and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Investor agrees that none of the Company, the Bookrunner nor any of their respective officers, advisors or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;

(ii) the content of this Announcement is exclusively the responsibility of the Company and the Directors and that neither the Bookrunner, nor Rosario nor any person affiliated with them or acting on their behalf is responsible for or shall have any liability for any information, representation or statement contained in this Announcement or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an Investor to participate in the Proposed Fundraise based on any information, representation or statement contained in this Announcement or otherwise;

(iii) the Investor has not relied on either the Bookrunner or Rosario or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this announcement or its investment decision;

(iv) in agreeing to acquire Placing Shares under the Proposed Fundraise, the Investor is relying on this Announcement and not on any draft hereof or other information or representation concerning the Group, the Proposed Fundraise or the Placing Shares. Such Investor agrees that neither the Company nor the Bookrunner nor Rosario nor their respective officers, directors, advisors or employees will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;

(v) the Bookrunner and Rosario are not making any recommendations to Investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Proposed Fundraise, and each Investor acknowledges that participation in the Proposed Fundraise is on the basis that it is not and will not be a client of the Bookrunner or Rosario and that the Bookrunner and Rosario are acting for the Company and no one else, and the Bookrunner and Rosario will not be responsible to anyone else for the protections afforded to its clients, and that the Bookrunner and Rosario will not be responsible for anyone other than the Company for providing advice in relation to the Proposed Fundraise, the contents of this Announcement or any transaction, arrangements or other matters referred to in this Announcement, and the Bookrunner and Rosario will not be responsible for anyone other than the relevant parties to the Placing Agreement in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of the Bookrunner's rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained in the Placing Agreement;

(vi) save in the event of fraud on its part (and to the extent permitted by the rules of the Financial Conduct Authority), neither of the Bookrunner nor Rosario nor any of their directors, advisors or employees shall be liable to an Investor for any matter arising out of the role of the Bookrunner as the Company's broker or advisor or sponsor or otherwise, and that where any such liability nevertheless arises as a matter of law each Investor will immediately waive any claim against the Bookrunner, Rosario and their respective directors and employees which an Investor may have in respect thereof and to the extent permitted by law;

(vii) the Investor has complied with all applicable laws and such Investor will not infringe any applicable law as a result of such Investor's agreement to acquire Placing Shares under the Proposed Fundraise and/or acceptance of these terms or any actions arising from such Investor's rights and obligations under the Investor's agreement to acquire Placing Shares under the Proposed Fundraise and/or acceptance of these terms or under the Articles;

(viii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of necessary consents) in order: (i) to enable the Investor lawfully to enter into, and exercise its rights and perform and comply with its obligations to acquire the Placing Shares under the Proposed Fundraise; and (ii) to ensure that those obligations are legally binding and enforceable, have been taken, fulfilled and done. The Investor's entry into, exercise of its rights and/or performance under, or compliance with its obligations under the Proposed Fundraise, does not and will not violate: (a) its constitutional documents; or (b) any agreement to which the Investor is a party or which is binding on the Investor or its assets;

(ix) it understands that no action has been or will be taken in any jurisdiction by the Company, or the Bookrunner or Rosario or any other person that would permit a public offering of the Placing Shares, or possession or distribution of this Announcement, in any country or jurisdiction where action for that purpose is required; and that, if the Investor is in a relevant EEA member state, it is: (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; (iii) otherwise permitted by law to be offered and sold Placing Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws; or (iv) in the case of any Placing Shares acquired by an Investor as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, either:

(A) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their placing or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Rules, or in circumstances in which the prior consent of the Bookrunner has been given to the placing or resale; or

(B) where Placing Shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the placing of those Placing Shares to it is not treated under the Prospectus Rules as having been made to such persons;

(x) to the fullest extent permitted by law, the Investor acknowledges and agrees to the disclaimers contained in this Announcement and acknowledges and agrees to comply with the selling restrictions set out in this Announcement;

(xi) the Placing Shares have not been and will not be registered under the Securities Act or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, Israel or the Republic of South Africa or where to do so may contravene local securities laws or regulations;

(xii) the Investor is, and at the time the Placing Shares are acquired, will be located outside the United States and eligible to participate in an "offshore transaction" as defined in and in accordance with Regulation S;

(xiii) the Investor is not acquiring the Placing Shares as a result of any "directed selling efforts" as defined in Regulation S or as a result of any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D under the Securities Act);

(xiv) if it is acquiring the Placing Shares for the account of one or more other persons, it has full power and authority to make the representations, warranties, agreements and acknowledgements herein on behalf of each such account;

(xv) the Investor is acquiring the Placing Shares for investment purposes only and not with a view to any resale, distribution or other disposition of the Placing Shares in violation of the Securities Act or any other United States federal or applicable state securities laws;

(xvi) the Company is not obliged to file any registration statement in respect of resales of the Placing Shares in the United States with the US Securities and Exchange Commission or with any state securities administrator;

(xvii) the Company, the Registrar or transfer agent or other agent of the Company, will not be required to accept the registration of transfer of any Placing Shares acquired by the Investor, except upon presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with;

(xviii) the Investor invests in or purchases securities similar to the Placing Shares in the normal course of its business and it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Placing Shares;

(xix) the Investor has conducted its own investigation with respect to the Company and the Placing Shares and has had access to such financial and other information concerning the Company and the Placing Shares as the Investor deemed necessary to evaluate the merits and risks of an investment in the Placing Shares, and the Investor has concluded that an investment in the Placing Shares is suitable for it or, where the Investor is not acting as principal, for any beneficial owner of the Placing Shares, based upon each such person's investment objectives and financial requirements;

(xx) the Investor or, where the Investor is not acting as principal, any beneficial owner of the Placing Shares, is able to bear the economic risk of an investment in the Placing Shares for an indefinite period and the loss of its entire investment in the Placing Shares;

(xxi) there may be adverse consequences to the Investor under tax laws in other jurisdictions resulting from an investment in the Placing Shares and the Investor has made such investigation and has consulted such tax and other advisors with respect thereto as it deems necessary or appropriate;

(xxii) the Investor is not a resident of the United States, Australia, Canada, Japan or the Republic of South Africa and acknowledges that the Placing Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Placing Shares under the securities legislation of the United States, Australia, Canada, Japan, the Republic of Ireland, Israel or the Republic of South Africa and, subject to certain exceptions, the Placing Shares may not be offered or sold, directly or indirectly, in or into those jurisdictions;

(xxiii) the Investor is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating to such payments) payable outside the UK by it or any other person on the acquisition by it of any Placing Shares or the agreement by it to acquire any Placing Shares;

(xxiv) in the case of a person who confirms to the Bookrunner (in the UK) or to Rosario (in Israel) on behalf of an Investor an agreement to acquire New Ordinary Shares under the Proposed Fundraise and/or who authorises the Bookrunner (in the UK) or to Rosario (in Israel) to notify such Investor's name to the Registrars, that person represents that he has authority to do so on behalf of the Investor;

(xxv) the Investor has complied with its obligations in connection with the prohibition on money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("**Money Laundering Regulations 2017**") and in Israel with the Prohibition on Money Laundering Law 2000 and any other applicable law concerning the prevention of money laundering and, if it is making payment on behalf of a third party, that: (i) satisfactory evidence has been obtained and recorded by it to verify the identity of the third party; and (ii) arrangements have been entered into with the third party to obtain from the third party copies of any identification and verification data immediately on request as required by the Money Laundering Regulations 2017 and, in each case, agrees that pending satisfaction of such obligations, definitive certificates (or allocation under the CREST system) in respect of the Placing Shares comprising the Investor's allocation may be retained at the Bookrunner's discretion;

(xxvi) the Investor agrees that, due to anti-money laundering and the countering of terrorist financing requirements, Bookrunner and/or the Company may require proof of identity of the Investor and related parties and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the Investor to produce any information required for verification purposes, the Bookrunner and/or the Company may refuse to accept the application and the moneys relating thereto. The Investor holds harmless and will indemnify the Bookrunner and/or the Company against any liability, loss or cost ensuing due to the failure to process this application, if such information as has been required has not been provided by it or has not been provided on a timely basis;

(xxvii) the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);

(xxviii) the Investor has complied with and will comply with all applicable provisions of FSMA with respect to anything done by the Investor in relation to the Placing in, from or otherwise involving the UK;

(xxix) if the Investor is in the UK, the Investor is a person: (i) who has professional experience in matters relating to investments falling within article 19(5) of the

Order; or (ii) a high net worth entity falling within article 49(2)(a) to (d) of the Order; or (ill) is a person to whom this announcement may otherwise be lawfully communicated, and in all cases is capable of being categorised as a Professional Client or Eligible Counterparty for the purposes of the Financial Conduct Authority Conduct of Business Rules;

(xxx) if the Investor is in the EEA, the person is a "Professional Client/Eligible Counterparty" within the meaning of Annex 11/Article 24 (2) of MiFID and is not participating in the Placing on behalf of persons in the EEA other than professional clients or persons in the UK and other Member States (where equivalent legislation exists) for whom the Investor has authority to make decisions on a wholly discretionary basis;

(xxxi) each Investor in a relevant member state of the EEA who acquires any Placing Shares under the Placing contemplated hereby will be deemed to have represented, warranted and agreed with the Bookrunner and the Company that: (i) it is a qualified investor within the meaning of the law in that relevant member state implementing Article 2(1) of the Prospectus Directive; and (ii) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (A) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Bookrunner has been given to the offer or resale; or (B) where Placing Shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;

(xxxii) represents and warrants that its participation in the Placing would not give rise to an offer being required to be made by it or any person with whom it is acting in concert pursuant to Rule 9 of the City Code on Takeovers and Mergers or as such rule is replicated in the Articles;

(xxxiii) in the case of a person who confirms to the Bookrunner or to Rosario on behalf of an Investor an agreement to acquire Placing Shares under the Placing and who is acting on behalf of a third party, that the terms on which the Investor (or any person acting on its behalf) are engaged enable it to make investment decisions in relation to securities on that third party's behalf without reference to that third party;

(xxxiv) the exercise by the Bookrunner of any rights or discretions under the Placing Agreement shall be within the absolute discretion of the Bookrunner and the Bookrunner need not have any reference to any Investor and shall have no liability to any Investor whatsoever in connection with any decision to exercise or not to exercise or to waive any such right and each Investor agrees that it shall have no rights against the Bookrunner or any of its directors or employees under the Placing Agreement;

(xxxv) it irrevocably appoints any director of the Bookrunner as its agent for the purposes of executing and delivering to the Company and/or the Registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares agreed to be taken up by it under the Placing and otherwise to do all acts, matters and things as may be necessary for, or incidental to, its acquisition of any Placing Shares in the event of its failure so to do;

(xxxvi) it will indemnify and hold the Company, the Bookrunner, Rosario and its respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this paragraph and further agrees that the provisions of this paragraph will survive after completion of the Proposed Fundraise;

(xxxvii) the Bookrunner and Rosario may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Placing Shares and/or related instruments for their own account and, except as required by applicable law or regulation, the Bookrunner and Rosario will not make any public disclosure in relation to such transactions;

(xxxviii) the Bookrunner, Rosario and their affiliates, each acting as an investor for its or their own account(s), may bid or subscribe for and/or purchase Placing Shares and, in that capacity, may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Proposed Fundraise or otherwise. Accordingly, references in this Announcement to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by the Bookrunner, Rosario and/or any of their affiliates, acting as an investor for its or their own account(s). Neither the Bookrunner nor Rosario nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so;

(xxxix) each of the Subscribers is a either a (i) Qualified Investor pursuant to the Israel Securities Law, and undertakes to provide the Company with all information and documents required to support its representation herein, upon the Company's first demand. Or (ii) is not a qualified investor, however the offer in the Subscription is made, distributed or directed to not more than 35 non-qualified investors, subject to certain conditions in compliance with the requirement of Israeli Securities Law; and

(xl) the Company, Rosario and the Bookrunner will rely upon the truth and accuracy of each of the foregoing representations, warranties and undertakings.

Supply and disclosure of information

If either the Bookrunner, Rosario, the Registrars or the Company or any of their respective agents request any information about an Investor's agreement to acquire Placing Shares, such Investor must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

Miscellaneous

The rights and remedies of the Bookrunner, Rosario, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them, and the exercise or partial exercise of one will not prevent the exercise of others.

(i) On application, each Investor may be asked to disclose, in writing or orally to either of the Bookrunner:

(A) if he is an individual, his nationality; or

(B) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

(ii) All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to the Bookrunner.

(iii) Each Investor agrees to be bound by the Articles (as amended from time to time) once the Placing Shares which such Investor has agreed to acquire have been acquired by such Investor.

(iv) These provisions may be waived, varied or modified as regards specific Investors or on a general basis by the Bookrunner in relation to the Placing and Rosario in relation to the Subscription.

(v) The contract to acquire Placing Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Bookrunner, Rosario, the Company and the Registrars, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

(vi) In the case of a joint agreement to acquire Placing Shares, references to an "Investor" in these terms and conditions are to each of such Investors and such joint Investors' liability is joint and several.

(vii) The Bookrunner, Rosario and the Company each expressly reserve the right to modify the Proposed Fundraise (including, without limitation, its timetable and settlement) at any time before allocations of Placing Shares under the Proposed Fundraise are determined.

(viii) The Proposed Fundraise is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated in accordance with its terms.

Definitions

The following definitions apply throughout this Announcement, unless the context requires otherwise or unless it is otherwise specifically provided:

"Admission"	admission of New Ordinary Shares to trading on the Main Market becoming effective in accordance with the Listing Rules which is expected to occur at **8.00 a.m. on 1 July 2019**
"Announcement"	this announcement including the Appendix
"Articles"	the articles of association of the Company from time to time current
"Bookbuilding Process"	shall have the meaning given to it **in the** Appendix-Terms and Conditions of the Placing
"Bookrunner"	Shore Capital Stockbrokers Limited
"Business Day"	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England (and to the extent relevant to the Subscription only, a day on which banks are open for general business in Tel Aviv, Israel)
"Group" or "BATM" or "Company"	BATM Advanced Communications Ltd
"CREST"	the computer-based system established under the Regulations which enables title to units of relevant securities (as defined in the Regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations)
"DIs"	means depository interests issued by the Depository representing ordinary shares which may be traded through CREST in uncertificated form
"Directors" or "Board"	the directors of the Company
"FCA"	the Financial Conduct Authority of the UK
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Israeli Securities Law"	Israeli Securities Law 1968 and any regulations made pursuant to such law including the Securities Regulations 2007
"Listing Rules"	the Listing Rules of the Financial Conduct Authority made in accordance with section 73A(2) of FSMA
"London Stock Exchange"	London Stock Exchange plc
"Main Market"	the official list maintained by the FCA for the purpose of Part VI of FSMA
"Money Laundering Regulations 2017"	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
"Ordinary Shares"	Ordinary Shares in the capital of the Company
"Placees"	those persons who have conditionally agreed to subscribe for the Placing Shares under the Proposed Fundraise
"Placing"	the proposed conditional issue and allotment at the Issue Price of the Placing Shares to the Placees by the Bookrunner in the UK as described in the Announcement
"Placing Agreement"	the agreement dated 24 June 2019 and made between Shore Capital and the Company in relation to the Placing
"Placing Price"/"Issue Price"	the price at which New Ordinary Shares will be offered to Investors, namely 42.5 pence per Ordinary Share

"Placing Shares"/"New Ordinary Shares"	such number of Ordinary Shares to be issued by the Company pursuant to the Proposed Fundraise
"Proposed Fundraise"	the Placing and the Subscription
"Registrars"	the registrars of the Company
"Rosario"	Rosario Capital Ltd and its subsidiaries, a company incorporated under the law of Israel
"Securities Act"	United States Securities Act of 1933, as amended
"Subscribers"	Investors who subscribe for New Ordinary Shares pursuant to the Subscription
"Subscription"	the proposed conditional issue and allotment at the Issue Price of the Placing Shares to the Placees by Rosario in Israel as described in the Announcement

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d Fundraise to raise a minimum of US$15m - RNS

Regulatory Story

Go to market news section

BATM Advanced Communications Ld - BVC
Released 08:28 25-Jun-2019

Results of Placing and Subscription

RNS Number : 3230D
BATM Advanced Communications Ld
25 June 2019

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION EU 596/2014.

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN IS RESTRICTED AND IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM THE UNITED STATES OF AMERICA, CANADA, JAPAN, NEW ZEALAND, OR ANY OTHER JURISDICTION IN WHICH SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL.

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UNLESS OTHERWISE INDICATED, CAPITALISED TERMS IN THIS ANNOUNCEMENT HAVE THE MEANINGS GIVEN TO THEM IN THE PLACING AND SUBSCRIPTION ANNOUNCEMENT (AS DEFINED BELOW).

For immediate release

25 June 2019

BATM Advanced Communications Limited
("**BATM**" or the "**Company**" or the "**Group**")

Results of Placing and Subscription

BATM raises US$18 million from existing and new investors

BATM (LSE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, is pleased to announce the successful completion of the Placing and Subscription (the "**Fundraise**") announced on 24 June 2019 (the "**Placing and Subscription Announcement**") to raise US$18 million.

Shore Capital Stockbrokers Ltd ("**Shore Capital**") acted as sole bookrunner in connection with the Placing. Rosario Capital Ltd and its subsidiaries ("**Rosario**") acted as the Company's adviser solely in relation to the Subscription by certain institutional and other investors based in Israel.

Highlights

- The Company has raised, in aggregate, gross proceeds of US$18 million at a price of 42.5 pence per New Ordinary Share (the "**Issue Price**").
- Pursuant to the Fundraise, a total of 33,283,254 New Ordinary Shares will be issued, representing 7.6 per cent. of the Company's enlarged share capital.
- The Issue Price represents a discount of 5.6 per cent. to the mid-market closing price of the Company's Ordinary Shares on the London Stock Exchange on 24 June 2019, being the last practicable dealing day prior to the Placing and Subscription Announcement.
- The net proceeds of the Fundraise are expected to be utilised as follows:
    - Networking & Cyber division (approx. 90% of funds raised):
        - potential acquisition opportunities;
        - acceleration of current network function virtualisation ("**NFV**") development projects with Arm;
        - new product and use case development for 5G (MEC);
        - completion of development of CyberGuard product for NFV use cases;
        - accelerating proof-of-concepts and working capital for existing NFV and cyber products; and
        - marketing and sales initiatives.
    - Bio-Medical division (approx. 10% of funds raised):
        - acceleration of current development, deployment and certifications (including patents) in molecular biology diagnostics; and
        - acceleration of agri-waste and pharma-waste treatment installations.

Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the premium segment of the Main Market. It is expected that Admission will become effective at 8.00 a.m. on 1 July 2019. The New Ordinary Shares shall rank *pari passu* with the existing Ordinary Shares in the Company.

Total Voting Rights

Following Admission of the 33,283,254 New Ordinary Shares, the Company's issued share capital will consist of 437,129,074 Ordinary Shares with voting rights and that figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Dr Zvi Marom, CEO of BATM, said: "We are delighted to have raised $18 million through the successful completion of this fundraising. We thank our existing investors for their support and welcome our new shareholders. This is an exciting time for BATM with great progress being made across our business units, and particularly with our NFV activities and molecular diagnostics. We look forward to utilising these funds to accelerate our growth and to delivering value for our shareholders."

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Market Abuse Regulation

This announcement is released by BATM Advanced Communications Limited and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of BATM Advanced Communications Limited was Dr Zvi Marom, Chief Executive Officer.

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