M.T.I WIRELESS EDGE LTD.

Annual Report and Financial Statements

Year Ended

December 31, 2009

M.T.I WIRELESS EDGE LTD.

(An Israeli Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

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The amounts are stated in U.S. dollars ($).

Independent auditors' report to the shareholders of <u>M.T.I Wireless Edge Ltd.</u>

Report on the financial statements

We have audited the accompanying consolidated financial statements of M.T.I Wireless Edge Ltd and its subsidiaries. (hereafter- "the Group"), which comprise the consolidated financial position as at 31 December 2009, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2009, and of its financial performance, its cash flows and its equity for the year then ended in accordance with International Financial Reporting Standards.

Tel-Aviv, Israel February 25, 2010

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Comprehensive Income for the year ended December 31, 2009

		Year ended December 31,	
		2009	**2008**
	Note	**$'000**	**$'000**
Revenues	2, 4	13,453	17,923
Cost of sales		8,756	11,523
Gross profit		4,697	6,400
Research and development expenses		1,114	1,329
Distribution expenses		2,050	2,374
General and administrative expenses		1,469	1,824
Profit from operations	3	64	873
Finance expense	5	128	266
Finance income	5	110	640
Profit before tax		46	1,247
Tax expense	6	34	254
Total comprehensive income		12	993
Attributable to:			
Owners of the parent		17	993
Minority interest		(5)	-
		12	993
Earnings per share			
Basic and Diluted (dollars per share)	7	0.0003	0.0189

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Changes in Equity for the year ended December 31, 2009

	Attributed to equity holders of the company						
	Share capital	**Additional paid-in capital**	**Employee equity benefits reserve**	**Retained earnings**	**Total attributable to owners of the parent**	**Minority interest**	**Total equity**
	U.S. $ in thousands						
	Audited						
Balance at January 1, 2008	115	14,945	-	5,911	20,971	-	20,971
Changes during 2008:							
Profit for the year	-	-	-	993	993	-	993
Total comprehensive income for the year	-	-	-	993	993	-	993
Dividends	-	-	-	(979)	(979)	-	(979)
Buy back purchase of stock	(6)	-	-	(911)	(917)	-	(917)
Share based payment	-	-	29	-	29	-	29
Balance at December 31, 2008	109	14,945	29	5,014	20,097	-	20,097
Changes during 2009:							
Profit for the year	-	-	-	17	17	(5)	12
Total comprehensive income for the year	-	-	-	17	17	(5)	12
Issue of capital to minority in subsidiary	-	-	-	-	-	5	5
Dividends	-	-	-	(598)	(598)	-	(598)
Share based payment	-	-	59	-	59	-	59
Balance at December 31, 2009	109	14,945	88	4,433	19,575	-	19,575

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position as of December 31, 2009

		As at December 31,		As at December 31,	
		2009	**2009**	**2008**	**2008**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS					
Non-current assets:					
Property, plant and equipment	9	1,621		1,671	
Goodwill	10	406		406	
Long-term prepaid expenses		51		49	
Deferred tax assets	20	121		117	
Total non-current assets			2,199		2,243
Current assets:					
Inventories	12	2,318		2,571	
Trade and other receivables	13	4,603		6,115	
Other current financial assets	14	10,346		9,527	
Cash and cash equivalents	15	3,212		3,806	
Total current assets			20,479		22,019
TOTAL ASSETS			22,678		24,262
LIABILITIES					
Non-current liabilities:					
Employee benefits	18	243		232	
Provisions	19	80		30	
Total Non-current liabilities			323		262
Current Liabilities:					
Trade and other payables	16	2,607		3,529	
Tax liability		173		374	
Total current liabilities			2,780		3,903
Total liabilities			3,103		4,165
TOTAL NET ASSETS			19,575		20,097

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position as of December 31, 2009 (Cont.)

	Note	As at December 31, 2009 $'000	As at December 31, 2009 $'000	As at December 31, 2008 $'000	As at December 31, 2008 $'000
Capital and reserves attributable to owners of the parent	21				
Share capital		109		109	
Additional paid-in capital		14,945		14,945	
Employee equity benefits reserve		88		29	
Retained earnings		4,433		5,014	
			19,575		20,097
Minority interest			-		-
TOTAL EQUITY			19,575		20,097

The financial statements on pages 4 to 39 were approved and authorised for issue by the Board of Directors on February 25, 2010, and were signed on its behalf by:

February 25, 2010			
Date of approval of financial statements	Moshe Borovitz Finance Director	Dov Feiner Chief Executive Officer	Zvi Borovitz Non-executive Chairman

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows for the year ended December 31, 2009

	For the year ended December 31,		For the year ended December 31,	
	2009	**2009**	**2008**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Operating Activities:				
Net profit	12		993	
Adjustments for:				
Depreciation	374		332	
Gain from short-term investments	(71)		(6)	
Equity settled share-based payment expense	59		29	
Decrease in fair value of liabilities due to warrants	-		(298)	
Income tax expense	34		254	
Operating profit before changes in working capital and provisions		408		1,304
Decrease (increase) in inventories	253		(318)	
Decrease in trade receivables	1,493		350	
Decrease (increase) in other accounts receivables for short and long term	17		(90)	
Increase (decrease) in trade and other payables	(905)		354	
Increase (decrease) in employee benefits	11		(34)	
Increase in provisions	50		-	
income tax paid	(239)		(396)	
		680		(134)
Cash generated from operations		1,088		1,170

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows for the year ended December 31, 2009 (Cont.)

	For the year ended December 31,		For the year ended December 31,	
	2009	**2009**	**2008**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows from operating activities brought forward		1,088		1,170
Investing Activities:				
Sale (Purchase) of short-term investment	(748)		1,682	
Purchase of Property, plant and equipment	(341)		(498)	
		(1,089)		1,184
Financing Activities:				
Dividend paid to the holders of the parent	(598)		(979)	
Buy back purchase of stock	-		(917)	
Issue of capital to minority in subsidiary	5		-	
Repayment of bank borrowing	-		(22)	
		(593)		(1,918)
Increase (decrease) in cash and cash equivalents		(594)		436

	For the year ended December 31,	
	2009	**2008**
	$'000	**$'000**
Non-cash activities:		
Purchase of property and equipment against trade payables	7	24

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

The directors of the Company are responsible for the financial information set out below.

1. Accounting policies

General

M.T.I Wireless Edge Ltd. (hereafter - the Company) is an Israeli corporation. It was incorporated under the Companies Act in Israel on December 30, 1998 as a wholly- owned subsidiary of M.T.I Computers and Software Services (1982) Ltd. (hereafter - the Parent Company) and commenced operations on July 1, 2000 and since March 2006, the Company's shares have been traded on the AIM Stock Exchange.
The formal address of the company is 11 Hamelacha Street, Afek industrial Park, Rosh-Ha'Ayin, Israel.
The Company is engaged in the development, design, manufacture and marketing of antennas and accessories.

On March 2008, the Company invested in establishing a wholly owned subsidiary Switzerland based AdvantCom Sarl, (hereafter AdvantCom). AdvantCom is engaged in selling and distributing of antennas and accessories and in manufacturing through an Indian subsidiary.

On February 2009, pursuant to the founder's agreement, 20 percent of the issued and outstanding share capital of GlobalWave Technologies PVT Ltd (formerly a wholly owned Indian based subsidiary of AdvantCom), was allotted to investors in return for approximately $5,000.
Certain rental, operational and administrate services are provided by the Parent Company to the Company.

Definitions

In these financial information:

The Company	-	M.T.I Wireless Edge Ltd
The Group	-	The Company and its subsidiaries.
Subsidiaries	-	Companies that are controlled by the Company and whose accounts are consolidated with those of the Company.
The parent company	-	M.T.I Computers and Software Services Ltd.
Related parties	-	as defined in IAS 24.

Basis of preparation

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

1. Accounting policies (Cont.)

Assets and Liabilities in foreign currencies:

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

	Year ended December 31,	
	2009	**2008**
NIS (New Israeli Shekel)	0.265	0.263

	Year ended December 31,	
	2009	**2008**
	%	%
NIS (New Israeli Shekel)	0.76	1.15

Changes in accounting policies

Adoption of new and revised International Financial Reporting Standards (IFRS):

- **IFRS 8 - Operating Segments:**

IFRS 8 ("the Standard") discusses operating segments and replaces IAS 14. The Standard applies to companies whose securities are traded or are in the process of filing with any securities stock exchange. The Standard is effective for annual financial statements for periods beginning after January 1, 2009. Earlier application is permitted. The provisions of the Standard will be applied retrospectively, by restatement, unless the necessary information is not available or impractical to obtain.

The Standard determines that an entity will adopt a management approach in reporting on the financial performance of the operating segments. The segment information would be the information that is internally used by management in order to asses its performance and allocate resources to the operating segments.

Furthermore, information is required to be disclosed about the products or services (or group of products and similar services) from which the entity derives its revenues, the countries in which these revenues or assets are derived and major customers, irrespective of whether management uses this information for making operating decisions.

The implementation of the new Standard has had no impact on the Company's reportable operating segments.

1. Accounting policies (Cont.)

- **IAS 23 (Revised) - Borrowing Costs:**

In accordance with the revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and includes fixed assets, investment property and inventories that take a substantial period of time to get ready for sale. The possibility of immediately carrying these costs as an expense has been removed.

The revised Standard is effective for the financial statements for the year beginning January 1, 2009. Earlier application is permitted.

The implementation of IAS 23 (Revised) has had no impact on the reported results or financial position of the Company.

- **IAS 1 (Revised) - Presentation of Financial Statements:**

IAS 1 (Revised) requires entities to present a second statement, a separate "statement of comprehensive income" displaying , other than the net income taken from the statement of income, all the items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as adjustments arising from translating the financial statements of foreign operations, fair value adjustments of available-for-sale financial assets, changes in revaluation surplus of fixed assets and such and the tax effect of these items carried directly to equity, while properly allocated between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, while properly allocated between the Company and the minority interests.

IAS 1 (Revised) also prescribes that in cases of restatement of comparative figures as a result of the retroactive adoption of a change in accounting policy, the entity must include an opening balance sheet disclosing the restated comparative figures.

IAS 1 (Revised) is effective for annual financial statements for periods beginning after January 1, 2009. Earlier application is permitted.

The Company initially implemented IAS 1 (Revised) as of January 1, 2009 by disclosing the comparative figures of income statement according IAS 1 (Revised) (Statements of Comprehensive Income).

1. Accounting policies (Cont.)

- **IFRS 2 (Revised) - Share-based Payment:**

Pursuant to the IFRS 2 (Revised) ("the revised Standard"), the definition of vesting terms will only include service conditions and performance conditions and the settlement of a grant that includes non-vesting conditions by the Company or the counterparty, will be accounted for by way of vesting acceleration and not by forfeiture. The Standard will be applied retrospectively for financial statements for periods beginning on January 1, 2009. Earlier application is permitted.

Vesting conditions include service conditions which require the counterparty to complete a specified period of service and performance conditions which require specified performance targets to be met.

Conditions that are other than service and performance conditions will be viewed as non-vesting conditions and must therefore be taken into account when estimating the fair value of the instrument granted.

The implementation of IFRS 2 (Revised) has had no impact on the reported results or financial position of the Company.

- **The Project for the improvement of the International Financial Reporting Standards 2008:**

In May 2008, the IASB published 35 amendments for its International Financial Reporting Standards. The amendments were performed for the Project for the improvement of the International Financial Reporting Standards 2008. Some of the amendments refer only to definitions and editing and some refer to recognition, measurement, disclosure and presentation and could affect current accounting policy. Most of the amendments are on annual reports for periods beginning on 1 January, 2009 or after. The amendments can be adopted early, subject to certain conditions.

The implementation of these amendments has had no impact on the reported results or financial position of the Company

- **IAS 19 (Revised) - Benefit Plans as part of the project for the improvement of the International Financial Reporting Standards 2008 (hereinafter: "IAS 19 amendment"):**

The amendment to IAS 19 is effective for annual financial statements for periods beginning on January 1, 2009 or after. The implementation of IAS 19 (Revised) has had no impact on the reported results of financial position of the Company.

Impact of recently issued accounting standards prior to their adoption:

- **IFRS 3 (Revised) - Business Combinations and IAS 27 (Revised) - Consolidated and Separate Financial Statements:**

IFRS 3 (Revised) and IAS 27 (Revised) ("the Standards") will be effective for annual financial statements for periods beginning on January 1, 2010. The combined early adoption of the two Standards is permitted from the financial statements for periods beginning on January 1, 2008.

The principal changes expected to take place following the adoption of the Standards are:

(a) IFRS 3 currently prescribes that goodwill, as opposed to the acquiree's other identifiable assets and liabilities, will be measured as the excess of the cost of the acquisition over the acquirer's share in the fair value of the identifiable assets, net on the acquisition date. According to the Standards, goodwill can be measured at its full fair value and not only based on the acquired part, this in respect of each business combination transaction measured separately

(b) A contingent consideration in a business combination will be measured at fair value and changes in the fair value of the contingent consideration, which do not represent adjustments to the acquisition cost in the measurement period, will not be simultaneously recognized as goodwill adjustment. Normally, the contingent consideration will be considered a financial derivative within the scope of IAS 39 and will be presented at fair value through profit or loss.

(c) Direct acquisition costs attributed to a business combination transaction will be recognized in the statement of income as incurred as opposed to the previous requirement of carrying them as part of the consideration of the cost of the business combination, which has been removed.

(d) A minority transaction, whether a sale or an acquisition, will be accounted for as an equity transaction and will therefore not be recognized in the statement of income or have any effect on the amount of goodwill, respectively.

(e) A subsidiary's losses, although resulting in the subsidiary's deficiency, will be allocated between the parent company and minority interests, even if the minority has not guaranteed or has no contractual obligation of sustaining the subsidiary or carrying out another investment.

(f) On the loss of control of a subsidiary, the remaining investment in the subsidiary, if any, will be revalued to fair value against gain and loss from the sale and this fair value will represent the cost basis for the purpose of subsequent treatment.

The Company believes that the effect of the Standards on its financial condition, results of operations and cash flows is not expected to be material.

1. Accounting policies (Cont.)

- Amendments to IFRS 2 - Group Cash-settled Share-based Payment Transactions

In June 2009 the International Accounting Standards Board amended IFRS 2 to clarify its scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share based payment transaction. The amendments also incorporate the guidance contained in the following Interpretations:

• IFRIC 8 Scope of IFRS 2

• IFRIC 11 IFRS 2—Group and Treasury Share Transactions.

The Company believes that the revised Standard will have no effect on its reported results or financial position.

- The Project for the improvement of the International Financial Reporting Standards 2009:

In November 2009, the IASB issued amendments to IAS 24 Related Party Disclosures. The amendments modify the definition of a related party and simplify related party disclosures for government-related entities.

These amendments will be adopted in financial statements for the period beginning 1 January 2011. The Group is not government-related; therefore the disclosure exemptions will not affect the Group. However, some disclosures may be affected by the changes in the detailed definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

Revenue recognition

1. Revenues from services are recognized as follows:

   In fixed fee contracts - according to International Accounting Standard No. 11 “Construction - Type Contracts pursuant to which revenues and costs are reported by the “percentage of completion” method.

   The percentage of completion is determined by dividing actual completion costs by the anticipated completion costs.

   In cases where a loss from a project is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated until completion, as assessed by the Group’s management.

2. Revenues from sales of products are recognized when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date, on which ownership passes, provided no significant vendor obligations remain.

3. Finance income comprise interest income on amounts invested, changes in fair value of financial assets at fair value through profit or loss, exchange gains recognized in the statement of income. Interest income is recognized as it accrues using the effective interest method.

1. Accounting policies (Cont.)

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary.

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Consolidated financial statements

The accounting policy in the financial statements of the subsidiaries was applied consistently and uniformly with the policy applied in the financial statements of the Company.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalized as an intangible asset with any impairment in carrying value being charged to the income statement.

From the beginning of the 2005 financial year, the Company adopted the precepts of International Accounting Standard 38 and International Financial Reporting Standard 3. Previously, the Company was amortizing its goodwill over a 10 year period on the straight line basis. The new policy requires that goodwill be tested on an annual basis and written down when impaired.

In accordance with the transitional rules of IFRS3, the Company has applied the revised accounting policy prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on December 31 or sooner when there are signs of impairment. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest Group's of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

1. Accounting policies (Cont.)

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognized in the statement of recognized income and expense. During the years 2008 and 2009 no impairment charges of non-financial assets were required.

Functional and reporting currency

The majority of the revenues of the Company are generated in U.S. dollars. In addition, a substantial portion of the Company's costs is incurred in U.S. dollars. The Company's management believe that the U.S. dollar is the primary currency of the economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the U.S. dollar.

Foreign currency

Transactions entered into by the Group in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities. are similarly recognized immediately in the income statement, except for foreign currency borrowings qualifying as a hedge instrument.

Financial assets

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

Fair value through profit or loss: This category comprises only in marketable securities. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and trade receivables, but also incorporate other types of contractual monetary asset. They are carried at amortized cost less any provision for impairment.

Held-to-maturity investments: These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that The Group's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost, with changes through the income statement. As of December 31, 2009, no such assets are held by the Group.

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise The Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement. As of December 31, 2009, no such assets are held by the Group.

1. Accounting policies (Cont.)

Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only in cashless options. It is carried in the balance sheet at fair value with changes in fair value recognized in the income statement in finance income or expense line.

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

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

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- The Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalized development costs are amortized over the periods The Company expects to benefit from selling the products developed. The amortization expense is included within the cost of sales line in the income statement.
Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the income statement as incurred.
Development costs are recognized in the statement of income seeing as the Group does not meet the abovementioned conditions. As of December 31, 2009 no development costs are capitalized.

Deferred taxation

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;

1. Accounting policies (Cont.)

Deferred taxation (cont)

- goodwill for which amortization is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where The Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Taxes on income

Tax-exempt income derived from “approved enterprises” will be subject to tax in the event of distribution of dividends out of such income. Such additional tax has not been provided for in the financial information, since the current policy of the Company is not to distribute dividends incurring additional tax.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. Depreciation is computed by the straight line method, based on the estimated useful lives of the assets, as follows:

	Rate of depreciation
Machinery and equipment	6 - 20 %
Leasehold improvements	15 %
Computers	10 - 33 %
Office furniture and equipment	6 - 15 %

Leasehold improvements are depreciated over the term of the expected lease including optional extension, or over the estimated useful lives of the improvements, whichever is shorter.

1. Accounting policies (Cont.)

Cash and cash equivalents

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

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Provision for warranty

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

Employee benefits

According to Israeli work laws, employment agreements in Israel and the Group's practice, the Group is obligated to pay severance payments to its employees upon dismissal and in some circumstances, even if the employee has resigned or retired. The Group's obligation for severance pay is dealt as a "defined benefit plan".

The severance pay's provision, as shown in the balance sheet, represents the present value of the defined benefit plan as of the balance sheet's date. The provision is calculated by independent actuaries based on the "Projected Unit Credit" method. The provision's present value is determined by the capitalization of future expected cash flows (after taking in consideration future wages growth's rate) on the basis of government bonds' interest rates stated in the same currency as the benefits' payments.

With there occurrence, the Group credits the actuary gains or losses, that have derived as a result of actuary assumptions and as a result of changes between previous assumptions and the actual results, to the income statement.

The Group acquires insurance polices and deposits in severances funds according to its obligation.

The privilege to severance pay by the insurance policies is considered a return of expenses, whereas it is certain that the insurance Group will, fully or partially, return the expenses needed to cover the severance pay obligation.

1. Accounting policies (Cont.)

Employee benefits(cont)

The return of expenses' right that results from the severance pay funds is presented at fair value, whereas the changes are credited to the Statements of Comprehensive Income.

Transactions with controlling parties

Transactions with controlling shareholders are disclosed in conformity with the provisions of the International Accounting Standard 24 (related party disclosures and transactions).

Earnings per Share (EPS)

Earnings per Share is determined and presented in accordance with IAS 33.

Basic net earnings per share are computed based on the weighted average number of common shares outstanding during each year. Diluted earnings per share is computed based on the weighted average number of common shares outstanding during each year, plus dilutive potential common shares considered outstanding during the year.

Segment reporting

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

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

The principles activities of the Group and its primary segments are:

- Antennas produced for commercial market.
- Antennas produced for the military market.

The secondary segments of the Group are geographic:

- Israel
- North America
- Europe
- Asia
- Other

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be distributed among segments. Non-distributed items include the Group's financial income and expenses and tax.

2. Revenues

	For the year ended December 31, 2009	2008
	$'000	$'000
Revenues arise from:		
Sale of goods	10,282	15,304
Projects	3,171	2,619
	13,453	17,923

Revenues	For the year ended December 31, 2009	2008
	$'000	$'000
Customer A	1,675	3,694
Others	11,778	14,229
	13,453	17,923

3. Profit from operations

	For the year ended December 31, 2009	2008
This has been arrived at after charging:	$'000	$'000
Wages and salaries	4,708	5,285
Depreciation of property, plant and equipment	374	332
Material and subcontractors	6,262	8,922
Operating lease expense	404	379
Plant, Machinery & Usage	596	721
Travel & Exhibition	351	348
Advertising & Commissions	119	248
Consultants	213	376
Others	362	439
	13,389	17,050

4. Segments

The accounting policy for operating segments is consistent with that described in Note 1 *"Segment reporting"*.

1. Segment information

The Group's primary reporting format for reporting segment information is business segments.

	Commercial 2009 $'000	Military 2009 $'000	Total 2009 $'000
Revenue			
External	10,090	3,363	13,453
Total	10,090	3,363	13,453
Profit			
from operations	(290)	354	64
Total	(290)	354	64
Other			
Depreciation and other non-cash expenses	243	131	374

	Commercial 2008 $'000	Military 2008 $'000	Total 2008 $'000
Revenue			
External	14,756	3,167	17,923
Total	14,756	3,167	17,923
Profit			
from operations	611	262	873
Total	611	262	873
Other			
Depreciation and other non-cash expenses	211	121	332

(*) The Group cannot distinguish between Commercial and Military assets and liabilities, due to the fact that some of the assets and liabilities are used by both segments.

4. Segments (Cont.)

1. Segment information (cont.)

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customers	
	2009	**2008**
	$'000	**$'000**
Israel	6,714	8,704
North America	2,822	3,498
Europe	2,941	4,750
Asia	758	490
Other	218	481
	13,453	17,923

2. Additional information about revenues:

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

	For the year ended December 31,	
Revenues	**2009**	**2008**
	$'000	**$'000**
Customer A - Commercial segment	1,675	3,694
Others	11,778	14,229
	13,453	17,923

5. Finance expense and income

	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Finance expense				
Foreign currency exchange costs	77		190	
Bank fees	51		76	
		128		266
Finance income				
Interest received on bank deposits	2		46	
Other				
Gains from financial assets Classified as held for trading	108		296	
Gains from warrants	-		298	
		110		640
		18		(374)

6. Tax expense

A. Tax Laws in Israel:

1. Law for the Encouragement of Capital Investments, 1959:

Pursuant to the provisions of the said law, the company is eligible for tax benefits resulting from implementation of programs for investment in assets, in accordance with the letters of approval they received ("approved enterprises"), which grant the Group the right to exemption from tax for a period of two year and subsequent to such period - to tax at a reduced rate of 25% on income derived from the approved enterprise, subject to fulfilment of the conditions stipulated in the letter of approval.

The period in which the company will enjoy the tax exemption or reduced tax rate is limited in each letter of approval to seven years from the first year in which taxable income is earned (actual - from the year 2005). If the percentage of a company's share capital held by foreign shareholders exceeds 25%, the company will be entitled to reduced tax rates for a further five years.

From the year 2008 the company decided to no longer take advantage of the reduced tax rate.

If the company distributes dividends out of the exempt income of the approved enterprise, the company will be subject to tax at the rate of 25% on the distributed income.

6. Tax expense (Cont.)

2. Tax rates:

In July 2005, due to new tax legislation, the reduction in the tax rate for Israeli Companies was accelerated. On July 1, 2004 and in 2005, the Corporate tax rate was reduced to 35% for 2004 tax year, 34% for the 2005 tax year, 31% for the 2006 tax year, 29% for the 2007 tax year , 27% for the 2008 tax year, 26% for the 2009 tax year and 25% for the 2010 tax year and thereafter.

In July 2009, the "Knesset" (Israeli Parliament) passed the Economic Efficiency Law 2009, which prescribes, among other things, an additional gradual reduction in the Israeli corporate tax rate starting from 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%.

3. Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were measured based on the changes in the Israeli CPI.

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Starting 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. The amendment to the law includes, inter alia, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting 2008.

B. Income tax assessments:

The Company has tax assessments considered as final up and including the year 2004.

	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Current tax expense				
Israeli income tax on profits for the year	38		224	
Taxes for previous years	-		52	
		38		276
Deferred tax income				
Origination and reversal of temporary differences	4		22	
		4		22
Total tax charge		34		254

6. Tax expense (Cont.)

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

	2009	2008
	$'000	$'000
Profit before tax	46	1,247
Expected tax charge based on the standard rate of corporation tax in Israel of 26% (2008 - 27%)	12	337
Expenses not deductible for tax purposes	13	92
Income (Loss) not subject to tax	33	(81)
Losses and temporary differences for which deferred taxes were not recorded	(42)	(89)
Taxes in respect of previous years	-	52
Other	18	(57)
Total tax charge	34	254

7. Earnings per share

	2009	2008
	$'000	$'000
Earnings used in basic EPS	17	993
Earnings used in diluted EPS	17	993
Weighted average number of shares used in basic EPS	51,571,990	52,480,041
Weighted average number of shares used in diluted EPS	51,571,990	52,480,041
Basic net EPS	0.0003	0.0189
Diluted net EPS	0.0003	0.0189

The employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 22.

8. Dividends

	2009	2008
	$'000	$'000
Dividend of 1.16 (2008 - 1.85) cents per ordinary share proposed and paid during the year relating to the previous year's results	598	979

9. Property, plant and equipment

	Machinery & equipment $'000	Office furniture & equipment $'000	Leasehold Improvements $'000	Computer equipment $'000	Total $'000
At 31 December 2008					
Cost	3,354	251	416	998	5,019
Accumulated depreciation	2,185	172	147	844	3,348
Net book value	1,169	79	269	154	1,671
At 31 December 2009					
Cost	3,593	252	416	1,082	5,343
Accumulated depreciation	2,444	183	169	926	3,722
Net book value	1,149	69	247	156	1,621
Year ended 31 December 2008					
Opening net book value	1,178	63	153	128	1,522
Additions	239	27	137	78	481
Depreciation	248	11	21	52	332
Closing net book value	1,169	79	269	154	1,671
Year ended 31 December 2009					
Opening net book value	1,169	79	269	154	1,671
Additions	239	1	-	84	324
Depreciation	259	11	22	82	374
Closing net book value	1,149	69	247	156	1,621

10. Goodwill

	Goodwill $'000
At 31 December 2008	
Cost	678
Accumulated amortization	272
Net book value	406
At 31 December 2009	
Cost	678
Accumulated amortization	272
Net book value	406

11. Subsidiaries:

The principal subsidiaries of M.T.I Wireless Edge Ltd Group, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2009	2008
AdvantCom Sarl	Switzerland	100%	100%
Global Wave Technologies PVT Limited	India	80%	100%

1. On March 2008, the company invested in establishing of a wholly owned subsidiary Switzerland based AdvantCom Sarl, engaged in sales and marketing of antenna products.
2. In 2008, AdvantCom Sarl established Global Wave Technologies PVT Limited (India), a wholly-owned subsidiary which specialises in selling and distributing and manufacturing of antennas and accessories. In February 2009, pursuant to the founder's agreement, 20 percent of the issued and outstanding share capital of GlobalWave Technologies PVT Ltd was allotted to third party investors in return for approximately $5,000.

12. Inventories

	2009 $'000	2008 $'000
Raw materials and consumables	1,523	1,470
Work-in-progress	76	270
Finished goods and goods for resale	719	831
	2,318	2,571

13. Trade and other receivables

Trade receivables:

	2009 $'000	2008 $'000
Trade receivables(*)	3,104	5,014
Unbilled receivables	1,272	844
Checks receivable	29	40
	4,405	5,898

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

13. Trade and other receivables - current (Cont.)

As at 31 December 2009 trade receivables of $680K (2008 – $1,000K) were past due but not impaired.

They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	2009 $'000	2008 $'000
Up to 3 months	600	837
3 to 6 months	80	163
	680	1,000

Balance as of	2009 $'000	2008 $'000
Customer A	234	944
Others	2,870	4,070
	3,104	5,014

Unbilled receivables:

	2009 $'000	2008 $'000
Actual completion costs	1,356	1,080
Profit earned	1,313	1,539
Billed revenue	(1,397)	(1,775)
Total Unbilled receivables – Projects	1,272	844

The balance of Unbilled receivables represents undue amounts at balance sheet date (no past due amounts).

Other receivables:

	2009 $'000	2008 $'000
Prepaid expenses	72	89
Advances to suppliers	65	60
Employees (*)	12	24
Government authorities	24	-
Other receivables	25	44
	198	217

(*) Balances with employees are linked to the consumer price index and bear annual interest of 4%.

14. Other current financial assets

	2009 $'000	2008 $'000
Fair value through profit or loss	10,346	9,527

The other current financial assets consist of marketable securities.

15. Cash and cash equivalents

	2009	2008
	$'000	$'000
In New Israeli Shekels		
Cash on hand and in banks	347	125
Deposits	50	514
	397	639
In U.S. dollars		
Deposits with banks	2,815	3,167
Total	3,212	3,806

The deposits are not linked and bear interest up to 0.3% as of December 31, 2009.

16. Trade and other payables - current

	2009	2008
	$'000	$'000
Trade payables	1,817	2,326
Employees' wages and other related liabilities	525	616
Other payables	51	135
Accrued expenses	157	209
Government authorities	-	76
Related parties	57	167
	2,607	3,529

17. Financial instruments - Risk Management

The Group is exposed through its operations to one or more of the following financial risks:

- Foreign currency risk
- Credit risk

Foreign currency risk

Foreign exchange risk arises when Group operations enter into transactions denominated in a currency other than their functional currency. Management does mitigate that risk by holding cash and cash equivalents and deposit accounts in Israeli NIS.

Credit risks

Financial instruments which have the potential to expose the Group to credit risks are mainly trade receivables, other receivables and long term debts.

The Group holds cash and cash equivalents and deposit accounts at large banks in Israel and in the Switzerland, thereby substantially reducing the risk of loss.

17. Financial instruments - Risk Management (Cont.)

With respect to trade receivables, the Group believes that there is not a material credit risk in light of the fact that the Group's policy to assess the credit risk instruments of customers before entering contracts.
Moreover, the Group evaluates trade receivables on a day to day basis and adjusts the allowance for doubtful accounts accordingly.

As indicated above the main currency risk of the Company relates to changes in the exchange rate between US$ and NIS. In 2009 the Company accrued employees compensation costs related to NIS totaling US $4,482,000. In addition the company is working with few key vendors in NIS and the total purchases from them were US $837,000 in 2009. Therefore, the total material exposed amount to the NIS – US$ exchange rate was US $5,319,000, which indicates that any increase of 1% in the NIS rate against the US $ would increase the costs to the company by approximately US $53,000.

Fair value

The carrying amount of cash and cash equivalents, short-term investments, trade receivables, other accounts receivable, trade payables and other accounts payable approximate their fair value.

Classification of financial instruments by fair value hierarchy:

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

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

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

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

Financial assets measured at fair value:

December 31, 2009:

	Level 1	**Level 2**	**Level 3**
		$'000	
Financial assets at fair value through profit or loss:			
marketable securities	10,346	-	-

18. Employee benefits

A. Composition:

	As at December 31	
	2009	**2008**
	$'000	**$'000**
Present value of the obligations	781	751
Fair value of plan assets	(538)	(519)
	243	232

B. Movement in plan assets:

	As at December 31	
	2009	**2008**
	$'000	**$'000**
At 1 January 2009	519	512
Foreign exchange gains	4	4
Expected return	26	32
Return on plan assets	(16)	(16)
Benefit paid	(53)	-
Actuarial gain (loss)	58	(13)
At 31 December 2009	538	519

C. Movement in the liability for benefit obligation:

	As at December 31	
	2009	**2008**
	$'000	**$'000**
At 1 January 2009	751	778
Foreign exchange losses	4	10
Interest cost	41	47
Current service cost	54	56
Benefits paid	(97)	(3)
Actuarial (gain) loss	28	(137)
At 31 December 2009	781	751

Supplementary information

1. The Group's liabilities for severance pay retirement and pension pursuant to Israeli law and employment agreements are full covered - in part by managers' insurance policies, for which the Group makes monthly payments and accrued amounts in severance pay funds and the rest by the liabilities which are included in the financial statements
2. The amounts accrued in managers’ insurance funds are registered under the name of the employees, and therefore such amounts are not stated in the financial information as liability for termination of employee-employer relationships or amounts funded.

18. Employee benefits (Cont.)

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

4. Principal nominal actuarial assumptions:

	As at December 31, 2009	As at December 31, 2008
Discount rate on plan liabilities	5.13%	5.3%
Expected rate of return on plan assets	5.05%	5.02%
Expected increase in pensionable salary	3%	0%-3.5%

D. The expenses and income in the income statement from employee benefits are included as salary and wage expenses in the relevant clauses.

Expenses recognized in the statement of income:

	As at December 31	
	2009	2008
	$'000	$'000
Current service cost	54	56
Interest cost on benefit obligation	41	47
Expected return on plan assets	(26)	(31)
Net actuarial loss recognized in the year	(30)	(123)
Past service cost	(29)	13
Total employee benefit expenses	10	(38)
The expenses are presented in the statement of income as follows:		
Cost of sales	12	(21)
Research and development expenses	3	(8)
Selling and marketing expenses	(6)	(7)
General and administrative expenses	1	(2)
	10	(38)

19. Provisions

	Legal disputes	Royalties to BIRD Foundation	Total
	$'000	$'000	$'000
At 1 January 2009	30	-	30
Charged to profit or loss	-	50	50
At 31 December 2009	30	50	80
Due within one year or less	-	-	-
Due after more than one year	30	50	80
	30	50	80

A. The Group is currently involved in a legal dispute (see note 23C - contingent liability).

B. During 2009 the Company received a Conditional Grant from the Israel-U.S. Bi-national Industrial Research and Development Foundation (henceforth "BIRD"). The Company is obligated to repay BIRD the total Conditional Grant received, referred to as "the Repayment". Repayments are made at the rate of 5% of each $ of reported sales revenue up to a maximum of 150% of its investment linked to the U.S. Consumer Price Index (CPI), from revenue generated by the Product's sales upon successful commercialization.

20. Deferred Tax

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

The movement on the deferred tax account is as shown below:

	2009	2008
	$'000	$'000
At 1 January 2009	117	95
Profit and loss charge	4	22
At 31 December 2009	121	117

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

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax amounts charged to reserves are as follows:

	Charged to reserves 2009	Charged to reserves 2008
	$'000	$'000
Accrued severance pay	46	60
Other provisions for employee-related obligations	75	57
	121	117

21. Share capital

	Authorized			
	2009	2009	2008	2008
	Number	NIS	Number	NIS
Ordinary shares of NIS 0.01 each	100,000,000	1,000,000	100,000,000	1,000,000

	Issued and fully paid			
	2009	2009	2008	2008
	Number	NIS	Number	NIS
Ordinary shares of NIS 0.01 each at beginning of the year	51,571,990	515,720	53,779,998	537,800
Buy back purchase of shares*	-	-	2,208,008	22,080
At end of the year	51,571,990	515,720	51,571,990	515,720

* During 2008 the Company purchased for cancellation 2,208,008 ordinary shares for total of US $917,000.

22. Share-based payment

An option scheme for key Directors and Employees was approved at the company's Annual General Meeting on May 15th, 2008. Under the plan, options for 1.5 million shares were granted on July 15, 2008. The vesting date of 1st April 2011 and an exercise price of 30 pence (representing approximately 60 cents at the time of grant, 49 cents as of December 31, 2009) per share. The fair value for each option according Black and Scholes option pricing method which was used is 5 pence (approximately 11 cents at the time of grant, 8 cents as of December 31, 2009).

The options were granted as part of a plan that was adopted in accordance with the provision of section 102 of the Israeli Income Tax Ordinance**.**

	2009 weighted average exercise price $	2009 Number	2008 weighted average exercise price $	2008 Number
Outstanding at beginning of year	0.44	1,500,000	-	-
Granted during the year	-	-	0.44	1,500,000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	0.49	1,500,000	0.44	1,500,000

23. Commitments and guarantees

A. Royalty commitments

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

The maximum royalty amount payable by the Group at December 31, 2009 is US$ 470,000.

During the year 2009 the Group did not pay any royalties.

B. Guarantees

The Group has guarantees in favour of customers in the amount of US$ 398,000. The guarantees are mainly to guarantee advances received from customers.

C. Contingent liability

On July 3, 2005, Mars Antenna RF Systems Ltd. ("Mars") filed a complaint (Civil Case No. 05/1867) in the District Court of Tel Aviv-Yafo against the Group, the parent Group and the CEO of the Group.

The lawsuit relates to certain printed circuits in three models of antennas that the Group sells to one of its customers. Mars claims that the printed circuits are an infringement of Mars' rights in its antennas, raising causes of action under copyright, passing off, unjust enrichment, negligence, breach of statutory duty and the Law for Protection of Integrated Circuits.

The lawsuit seeks monetary damages in the nominal sum of 100,000 NIS, (approximately - US$ 26,300 which it reserves the right to modify in the future) and a permanent injunction, collection of the accused antennas, appointment of a receiver and an accounting of profits.

In addition, Mars petitioned for provisional remedies prior to final judgment, including preliminary injunction, temporary receivership, and collection of the accused antenna. The Group answered the claims, stating that Mars does not own the copyright in the relevant circuits, that the Law for Protection of Integrated Circuits does not apply to the antennas, that consumers are not confused by any similarity, and other defences.

On 22 December 2005, the District Court partially granted Mars' petition for Provisional remedies and preliminarily enjoined the Group from manufacturing and selling the relevant antennae. On 26 December 2005, the Group moved for a stay of enforcement of the preliminary injunction until the Supreme Court's decision on the Group's anticipated petition for interlocutory appeal. On 26 October 2006, the Supreme Court acknowledges, in part, the Group's claim and cancelled the petition with regard to a specific client for which the antennas were sold.

22. Commitments and guarantees (Cont.)

C. Contingent liability (Cont.)

In addition, on November 3, 2005, the Group filed a complaint against Mars (Civil Case No. 05/2422) in the District Court of Tel Aviv-Yafo for infringement of the Group's design of its radome covers for antennas and its mounting kit. The lawsuit seeks monetary damages in the nominal sum of 500,000 NIS, (approximately US$ 131,510 which it reserves the right to modify in the future), and a permanent injunction. In its answer, filed January 5, 2006, Mars defended against the Group's claim, itself issuing a counter-claim, stating that the legal action taken by the Group presents improper usage of the legal procedures and therefore is entitled to compensation as a result of damages caused by unfounded claims. On July 2, 2006, the court confirmed the Group's request to combine the two law-suits that were filed. The court also ruled that the hearings will begin on May 9, 2007.

On May 9, 2007 a court hearing in the joint case was held. In the hearing Mars filed a request to enlarge the suit amount to 2M NIS, approximately US$ 526,040, and to order MTI to revile the number of antennas under the case that were sold. Mars request re enlarging the amount was approved and the other request was not answered yet. The next court hearing was set to March 2nd, 2008.

On November 20, 2008 Mars filed an enlargement suit for the total amount of 2M NIS, approximately US$ 526,040, and to order MTI to revile the number of antennas under the case that were sold, claiming that the replacement antennas developed by the Company is infringing Mars rights as well.

The next court hearing was set to March 14, 2010.

The information usually required by IAS 37 Provisions, contingent liabilities and contingent assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

24. Transactions with related parties

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

	2009	2008
	$'000	$'000
Purchased Goods	127	164
Management Fee	227	253
Services Fee	160	145
Lease	317	317
Total	**831**	**879**

All Transactions are made on market value.

As of December 31, 2009 the Group owes to the parent group and related party US $57,000 (2008: US $167,000).

25. Subsequent events

The financial statements were authorized for issue by the board as a whole following their approval on February 25, 2010.