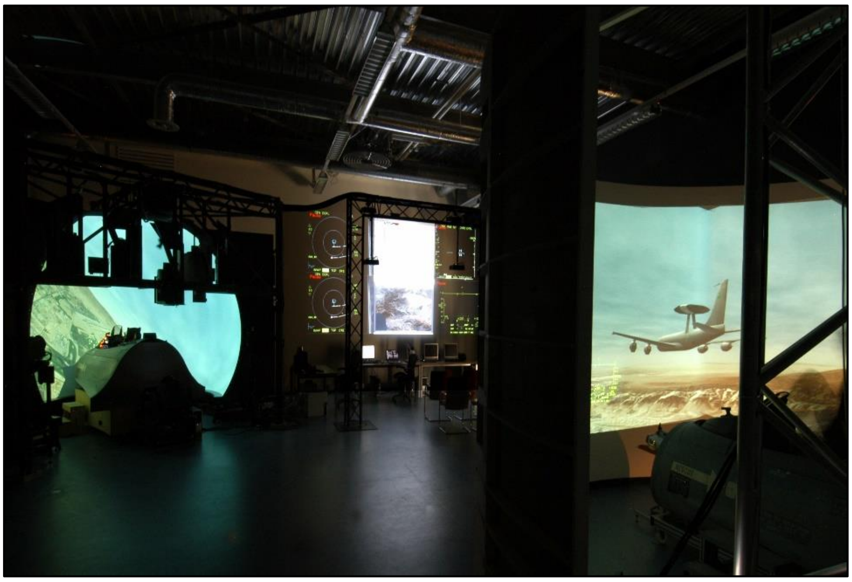
SIMIGON

# 2020 Annual Report

## *We Take Distributed Simulation Training Personally*

*About SimiGon*

**SimiGon (AIM: SIM) is a leading developer and supplier of distributed simulation solutions for defence and civilian applications. SimiGon is the creator of SIMbox, a leading PC-based platform for creating, managing and deploying simulation-based content across multiple domains. Through its off-the-shelf training solutions for demanding high-skill occupations, SimiGon provides diverse organizations with faster and more cost-effective training. SimiGon's growing client base includes blue-chip training and simulation systems providers as well as air forces and commercial airlines worldwide. Founded in 1998, SimiGon maintains offices in Israel and the United States.**



## *Contents*

# *TAKING DISTRIBUTED TRAINING SIMULATION PERSONALLY*

***When it comes to distributed simulation solutions, SimiGon technology is the way to go. Leading the industry shift away from inflexible, stationary and expensive training systems, SimiGon offers personal, portable and cost-effective training solutions optimized for the PC or laptop. Our off-the-shelf platform and products – for air, land, sea and industrial applications – are highly flexible, adaptable and robust. This "personal" approach enables multiple high-skill users to train simultaneously on multiple platforms, saving defence and civilian organizations significant time and money. We offer state-of-the-art simulation solutions for non-training applications, bringing the best of personal simulation to wider audiences.***

## *Financial Highlights*

- Revenues of $3.22 million (2019: $4.88 million), the decrease reflecting slower progress in delivering against project milestones due to COVID-19 restrictions and limitations on securing expected new business wins
- Consequential small impact on gross margin of 57% (2019: 63%)
- Operating loss of $2.13 million (2019: $1.45 million) mitigated by reducing operating expenses by 13% to $3.95 million (2019: $4.53 million)
- Net loss of $2.18 million (2019: $1.45 million)
- Basic and diluted loss per share of $0.04 (2019: loss per share $0.03)
- Liquid cash and cash equivalents of $4.95 million (2019: $6.04 million)

## *Operational Highlights*

- Continued to support major military flight training programs including:
  - The USAF Air Education and Training Command Undergraduate Remotely Piloted Aircraft Training ("URT");
  - Support for Lockheed Martin's UK Military Flight Training System ("UKMFTS"); and
  - Providing software and services as part of long-term relationship with a strategic European customer.
- SimiGon successfully completed milestone deliveries for the following military aviation training programs:
  - SIMbox-based F-15E Mixed Reality training devices for USAF
  - F-16 Maintenance Trainer Program for the Israeli Air Force (IAF)
  - T-6A Simulation Based Trainers to the IAF
  - C-130 Virtual Maintenance Training solution for strategic partner
- Secured additional software and hardware warranties and support services for the United States Air Force T-6A Level 5 FAA Compliant Flight Training Device
- Awarded with additional $0.5 million extension to its C-130 Virtual Maintenance Training contract previously announced in 2 December 2020 by a large international defense company
- Awarded contract to deliver its Commercial Off the Shelf SIMbox Virtual Reality Aircraft De-icing Simulator to USAF maintenance squadron.
- Selected as the Flight Simulation Training Device (FSTD) provider for the United States Air Force Recruiting Service (AFRS) AIM HIGH Flight Academy.

- During the Period, SimiGon has continued its ongoing R&D efforts to enhance simulation-based training and position the Company to capitalize on new high growth market opportunities mainly in maintenance training technologies.

- Establishment of a Mergers & Acquisitions (M&A) team, seeking strategic acquisition opportunities for the Company to increase SimiGon's near term revenues as well as improve long term growth prospects.

- Promoted the Chief Operating Officer, Mr. Jack Sarnicki, to President of SimiGon Inc., the main trading subsidiary of the Company.

## *Legal Actions*

On January 13, 2020 D.D Goldstein Real Estates and Investment Ltd., which to the Company's knowledge acquired 1,500,000 shares in the Company during 2019, has filed two legal actions in the Tel Aviv District Court - a petition for leave to file a monetary claim concerning salaries on behalf of the Company and an action for prerogative relief concerning resolutions approved at the Company's annual general meeting held on December 30, 2019 regarding the appointment of directors and the determination of their compensation. The Company filed its response in each of the proceedings. According to the court's decision, the petition for leave to file a monetary claim will resume after a judgment in the action for prerogative relief will be given.

On December 16,2020, the trial took place in the above-mentioned action for prerogative relief and on February 9, 2021, at which closing arguments were heard. The parties are now awaiting the judgment in the action for prerogative relief, after which the petition for leave to file a monetary claim will be resumed.

***Post period event:***

In June 2021 the court ruling in relation to the legal action filed by D.D Goldstein Real Estates and Investment Ltd. ("Goldstein"). Goldstein sought prerogative relief concerning resolutions approved at the Company's annual general meeting held on December 30, 2019 regarding the appointment of directors and the determination of their compensation.

The court ruled that Mr. Ami Vizer should be considered a "controlling shareholder" for the purposes of Israeli law, at least from March 2019 (without making a determination for prior periods because it was not relevant to the court ruling). The court also gave an award of costs against the Company in the amount of NIS 30,000.

The derivative action filed by Goldstein was delayed pending this ruling and the Company estimates that it will now go ahead. The Company continue to intend to vigorously defend against this action and reiterate the disclosures made in this regard in the Company's audited statutory accounts for the year ended 31 December 2020.

## *Coronavirus (COVID-19)*

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. COVID19 threatens to be a disruptor to companies, supply chains and the world economy. During the Period there has been an impact on the Company's operations resulting from the COVID-19 outbreak. Though the Company had not received any cancelation notices from its customers in respect of active purchase orders as a result of COVID-19, the restrictions imposed in response to the pandemic have slowed the ability of the Company to deliver during the Period, and whilst this business has been delayed rather than lost, it is clear that the rate of winning new business opportunities has been negatively impacted during the Period**.**

# APPLYING ROBUST TRAINING & SIMULATION SYSTEMS FOR MULTIPLE DOMAINS

***Modular Training and Simulation systems with virtual, mixed and augmented reality (XR) capabilities are accelerating changes in how the military and civilian market personnel are preparing personnel.***

## *Key Trends*

**The military and civilian training and simulation markets are changing rapidly due to emerging technologies such as XR, the adoption of gaming engines and proven cost savings delivered through simulation based training.**

"Post COVID-19, virtual training and simulation software is expected to attain significant growth, owing to growing demand for online content, certification courses, corporate learning, learning management systems (LMS), and other e-learning tools," says Allied Market Research in its Virtual Training and Simulation Market Insights – 2027 report.

The Virtual Training and Simulation market, SimiGon's traditional core market, was valued at $204.41 billion in 2019. It is now forecasted to reach $601.85 billion by 2027. The civilian, Smart Education and Learning market, representing new expansion opportunities for SimiGon, is worth $191.32 billion in 2021 and forecast to reach $783.48 billion by 2027, according to Fortune Business Insights, a compound growth rate of 19.4%. The simulation-based learning segment is anticipated to exhibit the highest growth as it enables corporations and academic institutions to create realistic training in a controlled environment before they start work in the field, in high stakes, operational environments. This market includes Collaborative Learning, Virtual Instructor-Led Learning, Simulation-Based Learning, Social Learning and Blended Learning, all core technology components of SimiGon's training solutions.

Extended reality (XR), real-and-virtual combined environments with human interactions, includes augmented reality (AR), mixed reality (MR) and virtual reality (VR). According to Kenneth Research, will reach a value of $346.39 billion in 2026. For context, XR production was valued at $25.4 billion in 2019.

Demand for XR-enabled Military and Commercial training providing technology-based solutions that reduce costs, is expected to continue to grow.

Well trained operators are required throughout military and civilian organizations. There are no flights without sufficient and properly trained aircrew, including pilots, technicians and maintainers. Cross-domain training with a scalable delivery platform with a common core, open system architecture, capable of meeting the vast range requirements of each skillset, remains in demand. Significant research supports simulation based learning and training's usefulness for hard skills and soft skills jobs.

Through simulations of operating environments and real world conditions, personnel in multiple domains are better prepared to handle real life situations from basic operations to troubleshooting to emergencies, in a safe, cost effective, environmentally friendly setting.

The military sector is driven by new platform acquisitions and technology upgrades requiring advanced training of complex systems. Likewise, the civilian market is driven by a need to reduce accidents and liability through advanced training methods and technologies.

Training simulation is utilized across multiple military and civilian domains to provide realistic, cost-effective training. For example, in military aviation, the cost savings of simulated vs. flight hour is generally 90% or greater. With this enormous cost savings, the Government and Civilian sectors recognize the value of simulation in total training programs. Additional efficiencies delivered through training technologies such as an Intelligent Tutor include a dynamic training capacity capable of adapting to a trainee's skill level and enabling individual pace learning. The market will continue to seek and require cost effective, advanced training and simulation technologies and solutions.

SimiGon's disruptive training and simulation technologies, solutions and services provide effective and efficient training systems to the market, delivering substantial time and cost savings for customer and partners. Additional, sustainable business is won through system maintenance, upgrades and support contracts for existing training devices as well as technology upgrades and further deployment of training aids, devices and simulators.

# *APPLYING ROBUST TRAINING & SIMULATION SYSTEMS FOR MULTIPLE DOMAINS (CONT.)*

SimiGon's technology products and services mix provide added value to customer requirements through improved training efficiencies and training analytics for saving time and money.

## *Business Growth Opportunities*

In addition to expanding business relationships with existing partners and clients, SimiGon's near term and long term growth strategy is focused on leveraging expertise in specific mainstays in US and allied nations, such as T-6A, F-16, F-15 and C-130 coupled with advancements in XR support, Artificial Intelligence driven Virtual Instructor, and the data analytics and reports provided in the native Learning Management System (LMS). With these advanced capabilities SimiGon will compete for new training contracts as a Prime and as a teammate to large and small businesses.

The Company is building on the expertise it has in delivering adaptive training solutions to develop near term and long term business in the Government sector while pursuing new opportunities in the XR realm and vertical markets such as maintenance and technician training.

Budgets and revenues for defence contractors are expected to remain largely stable, as military programs continue to be critical to national defence, especially considering geopolitical tensions. According to Deloitte, global defence spending is expected to grow about 2.8% in 2021 and estimated at $2 trillion. The commercial aerospace sector is expected to recover slowly and is expected to return to pre–COVID-19 levels by 2024. Boeing prior to the pandemic, estimated a worldwide requirement for 42,730 new jet airplanes, valued at $6.3 trillion, attributing this to evolving aviation product offerings and growth in emerging markets. According to Fortune Business Insights, military aircraft market size was USD 40.22 billion in 2018 and is projected to reach USD 58.03 billion by 2026. The impact of the pandemic is unknown. This segment is comprised of trainer aircraft, fighter aircraft, transport aircraft and special mission aircraft. The military fixed-wing aircraft market growth is being driven by the replacement of ageing military aircraft, increased geopolitical tensions and acquisition of 4.5 and 5$^{th}$ generation fighter aircraft.

Further market opportunities lie in the growing demand for immersive training devices. USAF Chief of Staff Gen. Charles Q. Brown Jr., said the challenge with the XR simulators will be the service's ability to scale them to larger numbers of students and institutionalize the idea of allowing students "to move at the pace of the student's ability to absorb" the training. "We don't have to slow them down, and we can get them done a bit faster," Brown said. The increased understanding and acceptance of the positive impact VI tools and digital tracking technologies have on student proficiency speaks to the market opportunity SimiGon has.

The global military drone market is forecasted to reach $55.5 billion by 2027, according to Research Dive. This segment is comprised of fixed wing, multi-rotor, single rotor and Hybrid Vertical Take-off and Landing (VTOL) UAVs. Additional areas where UAVs continue to diversify are used include agriculture, weather forecasting, engineering, law enforcement and deliveries of food, medicine and household items. For example, Wing, a drone delivery spinoff of Alphabet, is delivering food, FedEx packages and library books. Numerous Fortune 500 companies such as Verizon, IBM, Amazon, and Intel, as well as traditional aerospace and defence companies, are investing significantly in this market.

The global smart education & learning market, expected to reach $783.48 billion by 2027, includes Learning Management Systems (LMS) and Intelligent Tutoring capabilities. The COVID-19 pandemic has accelerated the adoption of distance learning solutions by schools, universities and corporations to ensure continuity in imparting training education and its long-term impact is yet to be determined. Improvements in training applications quality and accessibility is leading to further growth in corporate and academic sub-markets. Online learning institutions are also witnessing a significant increase in the number of students. The LMS sub-market is expected to reach $25.4 billion by 2024. This expected increase is due to its ability to deliver training for new skills without any geographical limitations. The North American market is expected to hold the largest market share during the forecast period because of the prevalence of smart devices. SimiGon's modular training technologies platform can provide e-learning, virtual instructor-led training, mobile learning, social learning, simulation-based learning, and adaptive learning in a cloud-based environment.

## APPLYING ROBUST TRAINING & SIMULATION SYSTEMS FOR MULTIPLE DOMAINS (CONT.)

The civilian aviation sector is not expected to fully recover to pre-pandemic values until 2024. The United Nations (UN) agency for civil aviation, the International Civil Aviation Organization (ICAO), reported international passenger traffic dropped 60% over 2020, equalling air travel of 2003 levels.

In its optimistic forecast, the ICAO predicts by June 2021, passenger numbers will recover to 71% of 2019 levels.
Boeing's Commercial Market Outlook (CMO) 2020-2039, expects the current downturn to lead to the replacement of many older passenger airplanes for more efficient fleets. Boeing is projecting a demand for 43,110 new airplanes over the next 20 years, with a services market worth over $9 trillion. This will require extraordinary demand for airline pilots, technicians and cabin crew. Boeing forecasts that by 2039, the aviation industry will need to supply nearly 2.1 million new aviation personnel—605,000 commercial airline pilots, 607,000 maintenance technicians, and 874,000 cabin crew. Skilled Instructors and training solutions will need to support this workforce, presenting the Company with a remarkable and exciting long-term opportunity. SimiGon's adaptive and modular personal training technologies, methodologies and solutions, proven and successful in the military aviation market, are fully transferable to commercial aviation training.

SimiGon delivers the advanced, training and simulation management systems and services that high skills and professional organizations demand.

# GETTING PERSONAL WITH DISTRIBUTED SIMULATION SOLUTIONS

***SimiGon's comprehensive portfolio of off-the-shelf solutions – including XR-enabled simulation solutions – "closes the knowledge gap" for professional users. At the same time, SimiGon's flexible, modular technologies are easily integrated either by customer organizations or third-party systems integrators for both military and civilian applications.***

## *SIMbox*

SimiGon is the creator of SIMbox, a leading PC-based platform for creating, managing and deploying simulation based content across multiple domains including training, mission debriefing, homeland security and entertainment. SIMbox is a flexible, off-the-shelf 3D simulation engine comprised of a wide array of software modules that empowers users to create an unlimited range of new products and content. Built from the ground up as a robust and flexible platform, SIMbox has been deployed successfully by large training and simulation systems providers, leading military contractors, and multiplied air forces and commercial airlines worldwide. SIMbox is comprised of three main environments:

- **SIMbox Toolkit development environment:** SIMbox Toolkit is an easy-to-use development suite, empowering non-programmers to create, reuse and control simulation-based applications.

- **SIMbox Server management environment:** SIMbox Server which serves as the Learning Management System (LMS), contains various software modules used for configuration management of developed content, control over content distribution, data gathering from end users, and data analysis and report generation.

- **SIMbox Runtime delivery environment:** SIMbox Runtime provides hi-fidelity 3D distributed simulations that place the user in a virtual or constructive environment with numerous viewpoints for both military and civilian applications.

## *Major Existing products under SIMbox*

- XR-enabled F-15E Aircrew Training Device
- XR-enabled F-16 Maintenance Training Device
- XR-enabled F-16 Aircrew Training Device
- XR-enabled T-6A Desktop Training Device
- XR-enabled Aircraft De-icing Simulation System
- T-6A Level 5 Flight Training Device
- C-208 – Cessna Caravan Training Device
- Sensor Operator Training System
- UAS Training Device
- After Action Review/Playback System
- SIMbox Learning Management System (LMS)
- SIMbox Developer Environment
- Simulation Development Environment
- Learning Management System
- Learning and Content Management System
- Image Generator

## *KnowBook™ Family*

KnowBook is a family of PC-based training applications used by leading organisations for training professional users. KnowBook provides a common platform for learning, training, planning and debriefing.
The key members of the KnowBook family are:

- **AirBook™:** the family's flagship application that enables aircrew and organisations to remain completely updated with the rapidly changing demands of the military and civilian aviation world.

- **GroundBook, MarineBook and CarBook:** the newest members of the KnowBook family designed for ground, maritime and driving training scenarios.

## *Debriefing Systems*

SimiGon offers advanced post-mission debriefing applications that provide critical feedback and improve operational readiness. Utilizing a standard Windows graphical user interface (GUI), the PC-based systems can be deployed at any location and are extremely simple to operate. SimiGon's debriefing systems include D-Brief PC and MDDS Pro. Operated from a server connected to multiple client workstations, the systems analyse flight data stored on the aircraft's PMC or RMM cartridge. D-Brief PC is used to support real-time air combat debriefing. MDDS Pro is a digital debriefing solution incorporating video with 3D simulation.

# Executive Chairman, President and Chief Executive Officer Review

## Executive Chairman, President and Chief Executive Officer Review

**"The Company's ongoing R&D efforts are creating significant future growth potential together with SimiGon's strategic programs and existing strong long-term relationships, we are confident in the longer-term prospects for the business"**

**Amos (Ami) Vizer, Executive Chairman, President & Chief Executive Officer**

SimiGon has worked through multiple challenges presented by the COVID-19 global pandemic, delaying numerous expected contracts and subcontracts in 2020 for SimiGon's core business supporting military aircrew training. We have continued to meet programme deliveries and received additional program work while improving revenue during the second half of the year.

We are currently encouraged by the changes in the simulation and training environment, where ongoing programs that were delayed due to the pandemic are returning to the fold and programs that have been postponed are back on the agenda. The Company's ongoing R&D efforts in XR, maintenance training and data analytics are creating significant future growth potential together with SimiGon's strategic programs and existing strong long-term relationships, we are confident in the longer-term prospects for the business.

### Overview

During the Period impacted by COVID-19 pandemic, the Company achieved successful delivery milestones of its strategic contracts. This includes milestones on the IAF F-16 Maintenance Trainer, C-130 virtual maintenance training solution and T-6A Simulation Based Training programs, contractor logistics support to the USAF's URT program and continued support for the UKMFTS. Advanced proven technology, together with successful deliveries, have led SimiGon to be contracted with programs throughout the period which solidified SIMbox as a major training technology platform.

SimiGon's unique technologies offering supports industry demand for more realistic training and depth perception provided with XR solutions. As an integrated all-in-one system with a native Learning Management System and Virtual Instructor, trainees receive high value, self-paced training, saving end user organizations time and money. Over the Period, the Company continued its strategic focus on its three main areas:

- **Product Support -** Successfully delivering Distributed Learning Solutions to our core strategic partners worldwide. SimiGon, directly and through its partners, now has training sites in North America, Europe, Middle East and in the Asia Pacific markets.
- **New domains -** Expand the utilization of our SIMbox technology to multiple domains. This was successfully achieved by targeting several high opportunity markets such as maintenance training providers, commercial equipment operators, as well as training and research labs that utilize SIMbox as part of their research.
- **R&D capabilities -** Improve the technological capabilities of SIMbox technology to enable the growth of the Company. Beyond the expansion of our graphics engine, simulation and learning management system, we have added and delivered XR solutions to multiple clients around the globe.

  The R&D efforts in the Period have focused on advancing the Company's maintenance training technologies, improving XR performance, enabling plug&play capability with consumer VR headsets, together with continued development of the Company's simulation software development tools, high fidelity Image Generator, user monitoring and performance tracking with simulation data analytics. This comprehensive solution developed by SimiGon not only provides an immersive, high fidelity training environment, it also provides organizations the ability to see trainee(s) progression rate and areas of difficulty, enabling the curriculum to be tweaked for better training results. SIMbox technologies accelerating training are increasing the Company's opportunities and market penetration across military and civilian training markets.

## *Operational Review*

SimiGon's core technology platform, SIMbox, and support services were developed for large simulation training programmes for the Government and Commercial sectors. As the Company evolves into a training systems integrator, SimiGon remains at the forefront of designing, developing, implementing and supporting advanced simulation and training solutions to accelerate learning. Increased operational proficiency lowers safety risks and better prepares operators for real operations, whether they are flights, weapons systems operations, flight line maintenance tasks or deep sea oil rig operations. Leveraging the robust SIMbox ecosystem, SimiGon and its partners are delivering XR capable simulation-based training content across multiple domains and across the hardware spectrum, from tablets and laptops/PCs to high fidelity training devices.

SimiGon's strategic, simulation-based training solutions offer flexible licensing models with traditional software licensing or SaaS. SimiGon's technologies and capabilities provide significant added value to multiple industries.

## *Markets:*

***Virtual Training and Simulation***

According to Allied Market Research, the virtual training and simulation market is poised for double digit growth. Valued at $204.41 billion in 2019, the market is projected to reach $601.85 billion by 2027. Virtual training is a cost-effective training methodology where a simulated, virtual environment allows trainees to learn and master new skills and procedures. Virtual training is widely used in military and civilian flight simulation, healthcare training, energy, transportation training, e-learning, digital manufacturing, and others.

***Aerospace and defense related industry***

SimiGon's core market is military aviation, where the Company is a preferred technology supplier to the world's largest military training programs and Government contractor.

The Company's track record of delivering on time and within budget has led to winning multiple military-related contracts around the world, as well as serving to further entrench the Company with existing customers into new programs.

***Civilian and Commercial vertical markets***

SimiGon's significant capabilities, proven in the defense sector, are being leveraged to pursue new civilian training contracts. SimiGon's civilian training market opportunities range from education, maintenance, safety, energy and other industrial operations skills. The Company's efforts to grow vertical Government and Civilian training are proceeding. The Company recognizes the growth potential in XR training solutions and is developing and marketing relevant solutions to support this fundamental shift in the training world.

The global Smart Education and Learning market is projected to grow with a CAGR of 20.3% from 2021 to 2027, according to Market Insight Solutions, and reach $142 billion by 2027.

ReportLinker.com's Extended Reality Market report states the global extended reality (XR) market is projected to grow from $42.55 billion in 2020 to $333.16 billion by 2025, at a CAGR of 50.9% from 2020 to 2025. This growth will stem from demand for AR, VR and MR.

User learning experiences are transforming the training industry as traditional ways of teaching are upended by new technologies. Adaptive learning, Artificial Intelligence (AI) driven simulation-based learning, analytics, blended learning, and collaborative learning, all part of SimiGon products, are continuously evolving offer users enhanced learning methodologies and experiences.

The simulation-based learning segment is anticipated to continued its fast paces growth, enabling professional organizations and educational institutions to virtually experience real world environments for trainees to practice, navigate, explore, and obtain more information through a virtual medium before they start working on real-life tasks. Growing awareness among people and rising popularity of smart education are encouraging solution providers to invest in research and development for creating more reliable, better, and cost-effective solutions.

As an Open System Architecture ("OSA") software framework, SimiGon's ability to integrate with new technologies makes its viable long-term training simulation software fully capable of leveraging the immersive training needs of the XR civilian markets. SimiGon software offers an advanced solution to organizations seeking to teach visual and interactive problem solving in far ranging markets such as civilian aviation, technician training, language training, customer service training and corporate leadership. The Company's technology, experience and personnel, place it in a unique position to take advantage of the cultural shifts democratizing learning and training to reach the wider consumer market.

### *Marketing:*

SimiGon has significantly boosted its digital marketing efforts during the pandemic with a full-time, dedicated digital marketing specialist. The Company is creating and posting new videos and other media for social channels consumption on a regular basis. The Company has been able to rapidly grow its presence on LinkedIn and YouTube as well as Instagram, Facebook and Twitter. SimiGon is expecting to continue this marketing push along with traditional outreach at industry conferences in the US and Europe and participation in smaller industry demos for select end users.

### *General:*

The Company continues to further develop its disruptive, baseline, commercial off-the-shelf ("COTS") product with additional top layer application content and capabilities to reach more end users and vertical markets.

Targeted verticals such as commercial aviation maintenance training, security training, language training and vocational training have common requirements to the defense-related industries the Company continues to target. Specifically, they are highly regulated, require complex and specialized skill training and have zero tolerance for error. SimiGon is seeking to increase market share and broaden the end user applications for its base line SIMbox software platform in new domains.

### *Business Model:*

The Company's strategy, is to focus on long-term, high value, stable SaaS license contracts and services that provide better revenue and profit visibility as a result of distributing over the Period in which they are provided rather than lumpy license sales.

With SaaS-based contracts, the recurring maintenance and support stream is already included in the contract terms. In addition, the Company maintains flexibility with its traditional perpetual license fee model where the Company is paid for software license and support, as well as providing turnkey solutions for customers and partners as a Prime contractor or Sub-contractor.

### *Growth Strategy:*

The Company is focused on organic growth with its existing customer base, offering continuous product developments and services; leveraging its experience and IP developed from existing contracts as a Prime Contractor and Subcontractor to win new business and capture sales in established segments; and expanding its core technology's applicability for new market domains, directly and indirectly.

SimiGon's highly scalable, COTS technology training management system makes it an ideal solution to address new training domains with little customization required. New projects and markets continue to utilize the product infrastructure and developer tools to create the new application content; once developed, they are leveraged to target the wider market.

In addition, SimiGon is seeking to acquire simulation & training businesses that are aligned with the Company's strategic focus in the Government and Commercial training and simulation market. SimiGon is in the enviable position of having both the financial ability and trust of our key shareholders to make strategic business acquisitions that will help us expand in our key market segments.

### *Long term contracts:*

The Company maintained its solid portfolio of long-term partnerships:

- On December 2019, the Company has been awarded a $1.8 million contract from a large international defense electronics company (“Defense Company”) to design, develop and implement a C-130 virtual maintenance training solution (the “Contract”). The Contract for the C-130 training system is a new product complementing SimiGon’s current range of VMT solutions, including the F-16 training system which is already used by the IAF. This Contract, along with other ground based training systems using SimiGon technologies in the IAF, including T-6A Virtual Reality systems and the M-346 Advanced Jet Trainer, further solidifies SimiGon technologies as the IAF’s primary training technology platform for aircrew academy members. The Contract’s period of performance (excluding 12 months warranty and support) is approximately eighteen (18) months. During the Period, SimiGon has successfully delivered programs milestones. On October 2020, the Company has been awarded with additional $0.5 million extension to this Contract.

- The Company has been awarded in year 2019 with a Blanket Purchase Agreement from the USAF for the supply of Virtual and Mixed Reality Systems (BPA). The BPA, has a contract ceiling of $6 million over a two-year period, which and the Company continued to deliver upon during year 2020. This allows the U.S. Government to rapidly order Virtual Reality (VR) and Mixed Reality (MR) solutions. SimiGon was one of four contractors awarded.

- SimiGon continues its successful support for UKMFTS as a technology and services provider to Lockheed Martin. The Company continues to deliver under this long term contract, now in its ninth year of support, exceeding partner and end user expectations of SimiGon's technologies and performance.

- Ongoing USAF contracts for the continued maintenance and support including onsite hardware and software support for the sixteen SIMbox-based T-6A Level 5 FTDs.

- SimiGon completed multiple delivery milestones for the $2 million IAF F16 Maintenance Trainer contract announced in June 2016 to provide F-16 maintenance simulation based training systems to the IAF’s technician school in Haifa, Israel. This contract, in the maintenance training domain, is a new, lucrative vertical for SimiGon and will provide us with the experience and credentials to leverage for similar new business opportunities in other regions and other sectors.

- The Company continues to support and has further expanded its long-term relationship with a major existing European customer that it has been supplying with software and services since 2009.

- SimiGon continues its successful support of the SIMbox-based T-6A Simulation Based Trainers units provided to the IAF Flight Academy.

### *Financial Performance:*

Revenue for the year ended 31 December 2020 was $3.22 million, compared to $4.88 million in 2019. 47.16% of SimiGon's revenues came from North America (2019: 41.5%), 52.84% from Europe, Middle East, South America, Australia and Far East (2019: 58.5%). This decrease was attributable to the operational difficulties and delays in delivering against contracts during the COVID-19 pandemic and slowing of new business opportunities.

During the Period, loss before income taxes were $2.18 million (2019: loss before tax expenses of $1.45 million).

Gross profit for the year ended 31 December 2020 was $1.82 million, as compared to $3.09 million for the year ended 31 December 2019. Accordingly, gross margins decrease to 57% for the year ended 31 December 2020 as compared to 63% for the year ended 31 December 2019.

Total operating expenses for the year ended 31 December 2020 decreased by 13% to $3.95 million as compared to $4.53 million for the year ended 31 December 2019.

R&D expenses for year ended 31 December 2020 decreased by 15% to $1.85 million as compared to $2.18 million for the year ended 31 December 2019. Without considering the impact of the adoption of IFRS 16 on the financial reports for year 2019, the decrease in the R&D expenses was mainly due to reductions in salary and related benefits expenses. Marketing expenses for the year ended 31 December 2020 increased by 12% to $1.04 million as compared to $1.19 million for the year ended 31 December 2019 mainly due to salary expenses as part of the Company intention to increase marketing efforts.

General and administration expenses for the year ended 31 December 2020 decreased by 9% to $1.06 million as compared to $1.17 million the year ended 31 December 2019 mainly due to salary and related benefits expenses.

Operating loss for the year ended 31 December 2020 was $2.13 million, as compared to $1.45 million for the year ended 31 December 2019.

As a consequence of the factors above, the loss for the fiscal year was $2.18 million (2019: loss of $1.45 million).

Basic and diluted loss per share was $0.04 for the year ended 31 December 2020 as compared to basic and diluted loss per share of $0.03 for the year ended 31 December 2019.

As at 31 December 2020 the Company had cash and cash equivalents of $4.95 million as compared to $6.04 million as at 31 December 2019, with trade receivables net of $0.96 million, out of which, a total of $0.5 million has been collected since the year end.

Despite the uncertainty as to the severity and duration of COVID-19 global pandemic, and its impact that has been and might be on the Company's operation, the financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In arriving at this determination, the Company has undertaken a thorough review of the Company's cash flow forecast and potential liquidity risks.

Cash flow projections have been prepared which show that the Company will have sufficient funds to finance its operations and meet its obligations during the period of at least 12 months from the date of approval of the financial statements.

The following has been performed by the Company as part of its ongoing activities to reduce the impact of COVID19 on its financials:

- On April 24 2020, the Company's subsidiary SimiGon Inc. has received a loan in a total of $0.23 million from the US Small Business Administration (SBA) as part of their Paycheck Protection Program that helps businesses keep their workforce employed during COVID-19 crisis. The SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses ("PPP Loan").
- On February 2021, SimiGon Inc. has received a full forgiveness from the SBA.
- On April 15 2021, the Company's subsidiary SimiGon Inc. has received additional PPP Loan in a total of $0.24 million from the SBA.
- The Company receive a state-guaranteed bank loan in a total amount of $0.23 million following the announcement made by the State of Israel of the opening of dedicated small business financial aid funds following the COVID-19 crisis.

***Outlook:***

SimiGon's long term outlook remains positive as we have weathered the worst of the pandemic's disruption. SimiGon technologies, coupled with pent-up demand for military aviation aircrew and maintainer training, ability to leverage existing training content with heightened XR capable user experiences, provide the pathway to growth and profitability. The Company looks forward to putting the COVID-19 drag affect behind us and press forward on its agility and ability to rapidly scale to support new business and deliver its vision and business strategy to shareholders.

Amos Vizer
Executive Chairman, President and Chief Executive Officer

## Board of Directors

**Amos (Ami) Vizer, Executive Chairman, President & Chief Executive Officer**

Prior to founding SimiGon, Amos founded Logi-Cali, a software development house specializing in data storage applications. He previously served as marketing and business development manager of ISYS Operational Management Systems, an international IT company. Amos also previously worked for the missiles division of RAFAEL Armament Development Authority Ltd. Additionally, he served ten years in the Israeli Air Force (IAF) as an F-4 Phantom Fighter navigator, a flight school course commander, and a Popeye missile weapons officer. With extensive training in advanced software development, Amos holds a BA in business administration.

**Simon Bentley, Senior Independent Non-Executive Director**

Mr. Bentley is currently Executive Chairman of Dominion ATM Banking Systems Ltd, trading as Cash on the Move, a UK mobile cash operator and a Non-Executive Director of Premier Foods plc. Among previous appointments, Mr Bentley was Chairman and Chief Executive of Blacks Leisure Group plc from 1987 to 2002, Deputy Chairman of law firm Mishcon de Reya from 2002 to 2009 and Senior Independent Non-Executive Director of Sports Direct International plc from 2007 to 2018. Mr Bentley is a certified FCA, having previously been a senior partner at Landau Morley LLP.

**Efraim Manea, Chief Financial Officer**

Mr. Manea joined the Company as its finance controller in June 2008, managing its financial aspects including financial reporting, corporation accounting and tax preparation, budget and forecasting and risk management. He has more than fifteen years of accounting and management experience and before joining SimiGon served for approximately four years as an Audit Team Manager at Ernst & Young's High-Technology sector. Efraim Manea is a Certified Public Accountant and holds a BA in Accounting and Business Administration from the College for Management in Israel.

**Ran Pappo, Independent Non-Executive Director**

Mr. Ran Poppo has 25 years of business experience while delivering results worldwide. Mr. Pappo is the Chief Executive Officer of Diva Hirschthal Ltd. a large organization engaged in designing, manufacturing and world wild selling of high quality swimwear. Mr. Pappo also serves as a director in JS Group Srl, supervising its financial activities while reviewing its manuals and goals. Mr Pappo is a strategic consultant focusing on organizational workflows, financial forecasting, budgeting, auditing, human resources optimization, production planning and marketing. Mr Pappo has an extensive financial knowledge including budgeting, managing and auditing financial statements for national Organizations. Mr. Pappo holds a BS in Business Administration, Finance and International Marketing, from the College for Management in Israel.

**Ronit Schwartz Independent Non-Executive Director**

Mrs. Schwartz has considerable experience at board level of government and publicly-traded companies, and has held a wide variety of executive and non-executive roles during the course of her career. Mrs. Schwartz is currently a director at Petroleum & Energy Infrastructures, Ltd., Elad Canada and Amir Agricultural Investments, Ltd. Mrs. Schwartz has 21 years' experience in banking part of them as a financial executive and deputy director, skilled in finance, credit risk, foreign currency trading, budgeting and corporate governance. Mrs. Schwartz holds a BA in Economics and MBA in Marketing and Finance from Tel Aviv University.

## Management

**Amos (Ami) Vizer, Executive Chairman, President & Chief Executive Officer**

Prior to founding SimiGon, Amos founded Logi-Cali, a software development house specializing in data storage applications. He previously served as marketing and business development manager of ISYS Operational Management Systems, an international IT company. Amos also previously worked for the missiles division of RAFAEL Armament Development Authority Ltd. Additionally, he served ten years in the Israeli Air Force (IAF) as an F-4 Phantom Fighter navigator, a flight school course commander, and a Popeye missile weapons officer. With extensive training in advanced software development, Amos holds a BA in business administration.

**Jack Sarnicki, Chief Operating Officer**

Jack Sarnicki has 25 years of experience in the United States Air Force ("USAFR") where he held both operational and technical engineering positions, ending his military career as Chief Evaluation Engineer at the USAF's Simulation & Analysis Facility. Mr. Sarnicki is also an accomplished command pilot having flown five different USAF aircraft types during his military career. In his civilian career, Mr. Sarnicki has held multiple senior level sales and management positions for various aerospace and defense businesses. Before coming to SimiGon, Mr. Sarnicki held the position of Chief Operating Officer of VT-Miltope, where he was responsible for the daily management and operation of a $70 million ruggedized computer manufacturer selling directly to the U.S. government and commercial aerospace companies. Jack Sarnicki's education includes a BS in Mechanical Engineering, Masters of Business and the issuance of three mechanical patents.

**Efraim Manea, Chief Financial Officer**

Mr. Manea joined the Company as its finance controller in June 2008, managing its financial aspects including financial reporting, corporation accounting and tax preparation, budget and forecasting and risk management. He has more than fifteen years of accounting and management experience and before joining SimiGon served for approximately four years as an Audit Team Manager at Ernst & Young's High-Technology sector. Efraim Manea is a Certified Public Accountant and holds a BA in Accounting and Business Administration from the College for Management in Israel.

**Alon Shavit, EVP, Business Development**

Before joining SimiGon, Alon served 15 years in the Israeli Air Force (IAF), having flown F-16s for the past 20 years. He was an instructor in the Operational Training Unit (OTU) on A-4s for two years and a commander of the F-16 OTU for 18 months. He was an instructor in the Operational Training Unit (OTU) on A-4s for two years and a commander of the F-16 OTU for 18 months. His last role in the IAF was managing the planning, coordination, synchronization, and monitoring of the training program. Alon holds an MBA and bachelor's degrees in economics and psychology.

**Hagai Pichovich, VP Product Development**

Mr Pichovich joined the company as a software developer for the LMS team in 2006 and since then carried out various roles such as team lead and Director of R&D. He has an extensive experience with large scale project architecture and deep knowledge with SimBox based solutions and internals. Picho has over 15 years of experience with software development using various technologies and methodologies, and holds a bachelor degree in computer science.

**Koby Ben Yakar, VP Programs**

Koby, has a distinguished record as an experienced manager with extensive technical skills and knowledge. Mr. Ben Yakar has led a wide range of projects with cross-functional teams, including serving as SimiGon's Information Technology team leader and overseeing the architecture, design and development of the SIMbox LCMS Server infrastructure. Mr. Ben Yakar has over 10 years of experience in large training and simulation technologies enterprise projects with a proven ability to manage business and technical relationships for large-scale projects.

**Ary Nussbaum, VP Business Development (Americas)**

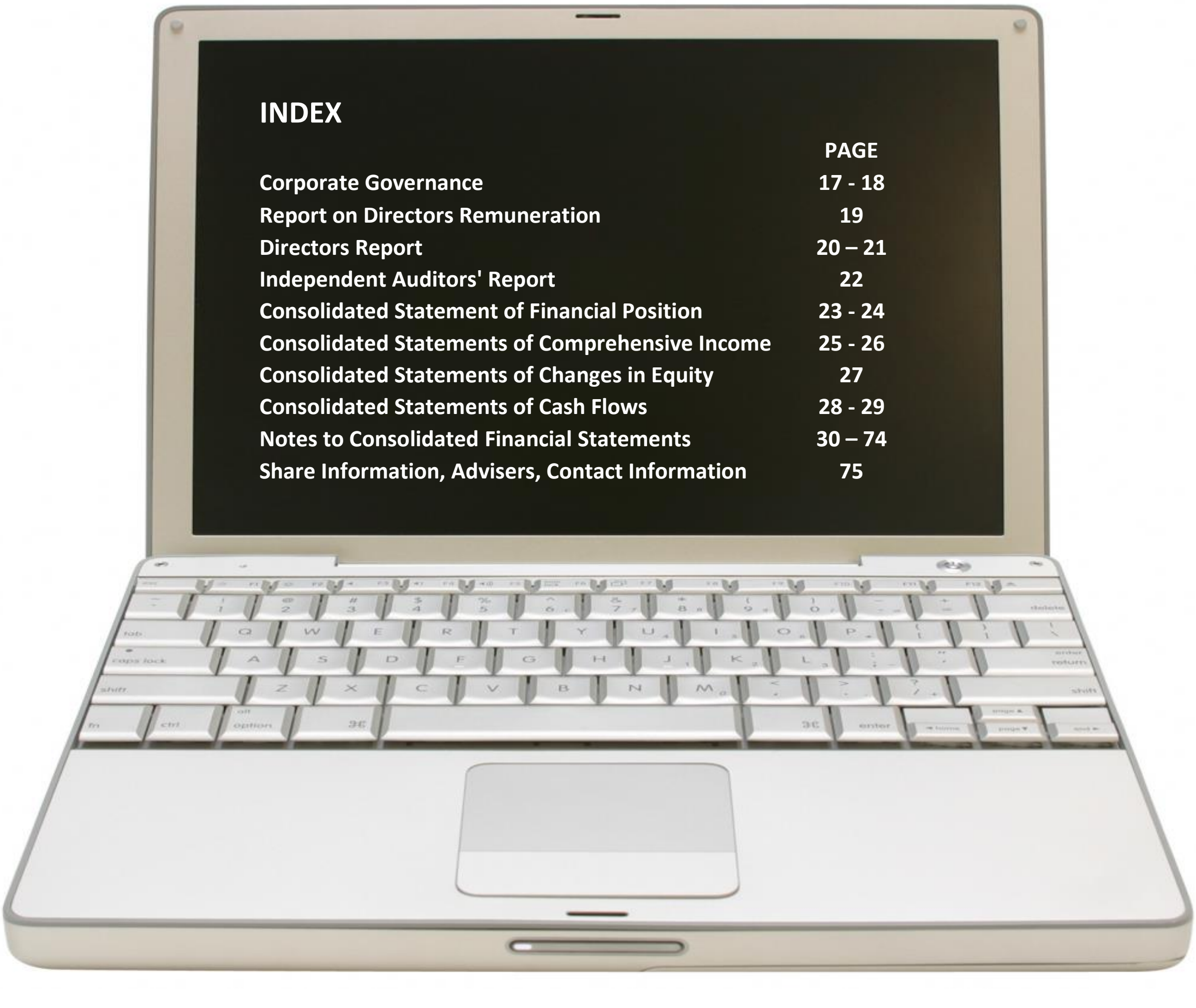
Mr. Nussbaum has served in multiple roles with the Company since joining in 2001 and was most recently Director, Business Development. He has built Government and Commercial business through partnerships and direct customer sales in complex business environments. His winning track record spearheading strategic programs in the US, Latin America, Asia, Australia and Europe, including SimiGon's largest single award program, is part of Mr. Nussbaum's skillset. He leads the Company's business development and sales efforts to capture existing and vertical markets in Government and Commercial training sectors in the US, Canada and Latin America. Mr. Nussbaum is an FAA certified pilot with an MBA from Bar Ilan University and a BA from William Paterson University.

**Merav Nahmani, Director of Human Resources**

Ms. Nachmani, joined SimiGon in November 2005 and has been managing SimiGon's HR Department since July 2009. Ms. Nachmani has more than ten years of experience in financial aspects including payroll controlling, accounts payable, accounts receivable , cash flow and tax reporting. Before joining SimiGon Ms. Nachmani served as a bookkeeping & salary controller in several High-Technology companies. Ms. Nachmani has a Bookkeeping & Salary controller diploma.

# *CONSOLIDATED FINANCIAL STATEMENTS OF SIMIGON LTD. AND ITS SUBSIDIARIES*

## *AS OF DECEMBER 31, 2020*
## *(U.S. Dollars in Thousands)*



# *CORPORATE GOVERNANCE FOR THE PERIOD ENDED 31 DECEMBER 2020*

### *Introduction*

SimiGon Ltd. commenced trading on the AIM Market operated by the London Stock Exchange on 2 November 2006. Although the rules of the AIM Market do not require the Company to comply with the Combined Code on corporate governance (the "Code") published by the Financial Reporting Council, the Company fully supports the principles set out in the Code and will attempt to comply with them wherever appropriate, given the Company's size, the constitution of the Board and the resources available to the Company. Details are provided below of how the Company applies those parts of the Code which it believes to be appropriate.

### *Directors*

The Board comprises two executive Directors, one Non- Executive Director and two independent Non-Executive Directors nominated by the shareholders of the Company. The Board generally meets a minimum of five times a year and receives a Board pack comprising a report from senior management together with any other materials deemed necessary for the Board to discharge its duties. It is the Board's responsibility for, amongst others, formulating, reviewing and approving the Group's business plan, strategy, budgets, corporate structure, compensation policy, dividend policy, major items of expenditure, acquisitions and financial statements.

### *Audit Committee*

The audit committee consists of Mr. Simon Bentley, Mrs. Ronit Schwartz and Mr. Ran Pappo and meets at least twice a year. The role of the audit committee, includes reviewing the management and systems of internal control of the company, including in consultation with the internal auditor and the company's independent auditor and to recommend any remedial action. In addition, the approval of the audit committee is required to effect certain related-party transactions.

### *Remuneration Committee*

The remuneration committee consists of Mrs. Ronit Schwartz, Mr. Ran Pappo and Mr. Simon Bentley. The Remuneration Committee has primary responsibility to review the performance of the Company's executive directors and the senior employees and to recommend and approve their remuneration and other terms of employment.

### *Shareholder Relations*

The Company meets and communicate with its principal shareholders periodically to encourage communication with shareholders. In addition, the Company intends to facilitate communication with shareholders through its annual report and accounts, interim statements and press releases as required during the ordinary course of business as well as through information available on the Company's website (www.simigon.com).

### *Going Concern*

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. COVID-19 threatens to be a disruptor to companies, supply chains and the world economy. Despite the uncertainty as to the severity and duration of the global pandemic, and its impact that has been and might be on the Company's operation, these consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In arriving at this determination, the Company has undertaken a thorough review of the Company's cash flow forecast and potential liquidity risks. Cash flow projections have been prepared which show that the Company will have sufficient funds to finance its operations and meet its obligations during the period of at least 12 months from the date of approval of the consolidated financial statements.

### *Internal Control*

The Board and the Audit Committee are responsible for the system of internal controls and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year the audit committee reviews the effectiveness of these systems. This is achieved primarily by considering risks potentially affecting the Group and from discussions with the external auditors. The Group is subject to internal audit and the results of internal audits are presented to the audit committee.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, as compared against budget, are reported to the Board and discussed in detail at least twice a year. The Group maintains insurance cover in respect of any legal actions against the Directors as well as against material loss or claims against the Group and reviews the adequacy of the cover regularly. To comply with AIM rules, the Company has adopted a code for dealings in its shares by directors and employees.

# *Report On Directors Remuneration*

### *Remuneration Policy*

The remuneration packages for non-executive directors are based principally on annual salaries. The remuneration packages for independent non-executive directors are based on an annual fixed fee and until October 2009 included payment for each Board or Board committee meeting attended. The remuneration packages for executives are based on annual salaries and benefits.

| | **Total 2020** | **Total 2019** |
|---|---|---|
| **Executive** | **$** | **$** |
| Ami Vizer * | 412,624 | 412,939 |
| Efraim Manea ** | 150,080 | 149,625 |
| **Non-Executive** | | |
| Alistair Rae | - | 25,959 |
| Simon Bentley | 43,200 | 18,000 |
| Omer C. Eyal *** | - | - |
| Ran Pappo | 26,400 | 26,400 |
| Deborah M. Bitman | - | 13,200 |
| Ronit Schwartz | 26,400 | 10,077 |
| **Total** | 658,704 | 656,200 |

* Year 2020 does not include additional cost of $39,768 in respect of vacation days, additional $28,721 paid in respect of severance allocation transfer and additional $40,897 paid in respect to health insurance.

Year 2019 does not include additional cost of $39,768 in respect of vacation days, additional $28,721 paid in respect of severance allocation transfer and additional $38,759 paid in respect to health insurance.

** Year 2020 does not include the reimbursement of $49,200, paid in respect to Mr. Efraim Manea relocation costs for his work at the Company's subsidiary in USA and additional costs of $12,955 in respect of vacation days and severance.

Year 2019 does not include the reimbursement of $49,200, paid in respect to Mr. Efraim Manea relocation costs for his work at the Company's subsidiary in USA and additional costs of $13,177 in respect of vacation days and severance

*** On a Board meeting held on September 20, 2018, Mr. Omer Eyal informed the Board that he is respectfully declined any payment for his service to SimiGon as a director and that he has elected to make his membership on the Company's Board of Directors and Audit Committee as unpaid volunteer positions.

Please also see the Directors Report below for details of directors who have held office during the year, options and shares granted to directors.

# DIRECTORS REPORT

The directors submit their report and the financial statements of the Group for the period ended 31 December 2020.

### *Incorporation and Admission onto the AIM Market*

The Company was incorporated on 1 October 1998. On November 2006 the Company commenced trading on the AIM and issued 6,076,811 new Ordinary Shares of NIS 0.01 at price of £0.88 per share. The number of Ordinary Shares issued immediately following the admission were 37,250,666.

### *Shares*

As of December 31 2020, the total numbers of Ordinary Shares Issued were 50,863,618 (net of 535,571 Ordinary shares held in treasury).

### *Share Options*

As of 31 December 2020, the outstanding balance of options granted to certain employees of SimiGon was approximately 1.2 percent of the Company's issued and outstanding shares (net of treasury shares) at an average exercise price of $0.26. The majority of the options vest over four years from the date of grant. The options expire ten years from the date of grant.

### *Review of Business and Future Developments*

The business review is given within the Chief Executive Officer's statement.

### *Dividends*

Further to the Company's previously declared intention to pay an annual dividend, the following dividend were distributed to its shareholders:

- On 11 April 2017 an annual dividend of 0.136 cents per share for a total issued and outstanding shares of 51,394,189, equating to approximately 19% of the Company's earnings per share and to approximately 19% of the Company's net profit for year 2016 was paid to the Company's shareholders with respect to year 2016.

- On 27 May 2016 an annual dividend of 0.6 cents per share for a total issued and outstanding shares of 50,993,154, equating to approximately 15% of the Company's earnings per share and to approximately 17% of the Company's net profit for year 2015 was paid to the Company's shareholders with respect to year 2015.

- On 29 May 2015 an annual dividend of 0.6 cents per share for a total issued and outstanding shares of 50,079,690, equating to approximately 20% of the Company's earnings per share and to approximately 22% of the Company's net profit for year 2014 was paid to the Company's shareholders with respect to year 2014.

- On 30 May 2014 an annual dividend of 0.543 cents per share for a total issued and outstanding shares of 47,292,706, equating to approximately 27% of the Company's earnings per share and to approximately 30% of the Company's net profit for year 2013 was paid to the Company's shareholders with respect to year 2013.

### *Suppliers Payment Policy*

The Group does not operate a standard code in respect of payment to suppliers. It has due regard to the payment terms of suppliers and generally settles all undisputed accounts within 60 days of the date of invoice, except where different arrangements have been arranged with suppliers.

## Directors

The following directors have held office during the year:

- Mr. Amos Vizer has been an executive director of the Company since 4 November 1998.
- Mr. Efraim Manea was appointed as an executive director on July 30, 2010.
- Mr. Simon Bentley was appointed as Non-Executive Director and serves as Senior Independent Non-Executive Director on August 1 2019, replacing Mr. Alistair Rae, who was appointed as a director and Chairman of the Board on 27 October 2006.
- Mr. Ran Pappo was appointed as an independent director on December 30, 2015.
- Mrs. Ronit Schwartz was appointed as an independent director, replacing Mrs. Deborah M Bitman, who was appointed as an independent director on December 30, 2015.
- Mr. Omer C. Eyal was appointed a non-executive director on April 17, 2018 and held office until October 20, 2019.

## Directors Interest in Shares and Share Options

The interest of directors in the issued share capital of the company at 31, December 2020 were as follows.

| Directors | Number of Ordinary Shares Capital | Percentage of Ordinary Shares * | Shares to be issued |
|---|---|---|---|
| Ami Vizer | 11,365,489 | 22.34 | 125,338 **) |
| Efraim Manea | 284,346 | 0.56 | 32,564 **) |

*) Calculated based on a total amount of 50,863,618 Ordinary Shares (net of 535,571 Ordinary shares held in treasury).

**) On September 8, 2017 the Company's shareholders approved the conversion of the 2016 annual cash bonuses approved by the Company's Board of Directors on April 14, 2016 in accordance to the Company's Compensation Policy Plan to Mr. Ami Vizer the Company's Chief Executive Officer and an executive director in a total amount of US £21,934 and to Mr. Efi Manea the Company's Chief Financial Officer and an executive director in a total amount of US £5,699, into 125,338 and 32,564 Ordinary Shares of 0.01 par value of the Company, respectively, such shares to be issued under the Company's Employees' Share Option Plans.

## Substantial Shareholdings

As of December 31 2020, the following interests of 3% or more in its issued and outstanding ordinary shares were notified to the Company:

| Shareholder | Number of Ordinary Shares | Percentage of issued * |
|---|---|---|
| A. Vizer / A. Vizer Holding Ltd. | 11,365,489 | 22.35% |
| Jeffrey Braun | 6,543,039 | 12.86% |
| Herald Investment Management Ltd. | 5,050,000 | 9.93% |
| Axxion S.A. | 3,500,000 | 6.88% |
| Green Venture Capital Ltd. | 3,067,848 | 6.03% |
| Gal Erez | 2,075,000 | 4.08% |
| Shroder- euroclear nominees limited | 1,711,070 | 3.36% |

*) Calculated based on a total amount of 50,858,618 Ordinary Shares (net of 535,571 Ordinary shares held in treasury).

## Auditors

Kost Forer Gabbay & Kasierer
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ey.com

# INDEPENDENT AUDITORS' REPORT

## To the Shareholders of

## SIMIGON LTD.

We have audited the accompanying consolidated financial statements of SimiGon Ltd. and its subsidiaries "the Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the years ended December 31, 2020, 2019 and 2018, and the related notes to the consolidated financial statements, which, as described in Note 2 to the consolidated financial statements, have been prepared on the basis of International Financial Reporting Standards as adopted by the European Union.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union; this includes the design, implementation, and maintenance of 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the each of the years ended December 31, 2020, 2019 and 2018, in accordance with International Financial Reporting Standards as adopted by the European Union.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
April 27, 2021

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | | December 31, | |
|---|---|---|---|
| | | **2020** | **2019** |
| | **Note** | **U.S. dollars in thousands** | |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | 1,227 | 2,974 |
| Short-term bank deposit | | 1,831 | 1,181 |
| Short-term investments | 3 | 1,889 | 1,887 |
| Short-term restricted cash | 5 | - | 523 |
| Trade receivables, net | 4 | 956 | 1,407 |
| Other accounts receivable and prepaid expenses | | 70 | 37 |
| Total current assets | | 5,973 | 8,009 |
| NON-CURRENT ASSETS: | | | |
| Restricted cash | 5 | 50 | 38 |
| Long-term prepaid expenses | | 27 | 27 |
| Property, plant and equipment | 6 | 22 | 99 |
| Right-of-use assets | 7 | 260 | 294 |
| Goodwill | 8 | 1,068 | 1,068 |
| Total non-current assets | | 1,427 | 1,526 |
| Total assets | | 7,400 | 9,535 |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | Note | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| | | U.S. dollars in thousands | |
| EQUITY AND LIABILITIES | | | |
| CURRENT LIABILITIES: | | | |
| Current maturities of loans | 10 | 34 | - |
| Trade payables | | 138 | 86 |
| Current maturities of lease liabilities | 7 | 242 | 245 |
| Deferred revenues | | 72 | 236 |
| Other accounts payable and accrued expenses | 9 | 701 | 845 |
| Total current liabilities | | 1,187 | 1,412 |
| NON-CURRENT LIABILITIES: | | | |
| Lease liabilities | 7 | 21 | 31 |
| Employee benefit liabilities | 10 | 369 | 362 |
| Long-term loan | 11 | 215 | - |
| Other non-current liabilities | 14a | 713 | 708 |
| Total non-current liabilities | | 1,318 | 1,101 |
| Total liabilities | | 2,505 | 2,513 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY: | 12 | | |
| Share capital | | 125 | 125 |
| Additional paid-in capital | | 16,652 | 16,651 |
| Treasury shares | | (105) | (105) |
| Accumulated deficit | | (11,777) | (9,649) |
| Total equity attributable to equity holders of the Company | | 4,895 | 7,022 |
| Total equity | | 4,895 | 7,022 |
| Total liabilities and equity | | 7,400 | 9,535 |

The accompanying notes are an integral part of the consolidated financial statements.

| April 27, 2021 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Ran Pappo<br>Independent Non-Executive Director | Ami Vizer<br>Chief Executive Officer and Director | Efraim Manea<br>Chief Financial Officer and Director |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | **Year ended December 31,** | | |
| | **Note** | **U.S. dollars in thousands (except share and per share amounts)** | | |
| Revenues | 16 | 3,221 | 4,882 | 5,029 |
| Cost of revenues | 15a | 1,397 | 1,797 | 973 |
| Gross profit | | 1,824 | 3,085 | 4,056 |
| Operating expenses: | | | | |
| Research and development | 15b | 1,850 | 2,175 | 2,335 |
| Selling and marketing | 15c | 1,040 | 1,187 | 1,019 |
| General and administrative | 15d | 1,062 | 1,171 | 1,462 |
| Total operating expenses | | 3,952 | 4,533 | 4,816 |
| Operating loss | | (2,128) | (1,448) | (760) |
| Other Income | | 6 | - | - |
| Loss before financial expenses | | (2.122) | (1,448) | (760) |
| Finance income | 15e | 168 | 215 | 134 |
| Finance expenses | 15f | 226 | 215 | 157 |
| Loss before income taxes | | (2,180) | (1,448) | (783) |
| Income tax benefit (expense) | 13 | - | - | (224) |
| Loss | | (2,180) | (1,448) | (1,007) |

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Year ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | | U.S. dollars in thousands (except share and per share amounts) | | |
| Loss | | (2,180) | (1,448) | (1,007) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | | |
| Remeasurement gain (loss) from defined benefit plan | | 52 | (27) | 16 |
| Total comprehensive loss | | (2,128) | (1,475) | (991) |
| Loss attributable to: | | | | |
| Equity holders of the Company | | (2,180) | (1,448) | (1,013) |
| Non-controlling interests | | - | - | 6 |
| | | (2,180) | (1,448) | (1,007) |
| Total comprehensive loss attributable to: | | | | |
| Equity holders of the Company | | (2,128) | (1,475) | (997) |
| Non-controlling interests | | - | - | 6 |
| | | (2,128) | (1,475) | (991) |
| Basic and diluted loss per share attributable to equity holders of the Company in U.S. dollars | | (0.04) | (0.03) | (0.02) |
| Weighted average number of shares used in computing basic and diluted earnings per share (in thousands) | 17 | 51,022 | 51,020 | 51,259 |

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares | Share capital | Additional paid-in capital | Treasury shares | Accumulated deficit | Total | Non-controlling interests | Total equity |
| | | U.S. dollars in thousands (except share amounts) | | | | | | |
| Balance as of January 1, 2018 | 51,394,189 | 125 | 16,639 | - | (7,177) | 9,587 | (6) | 9,581 |
| Total comprehensive loss | - | - | - | - | (997) | (997) | 6 | (991) |
| Purchase of Treasury shares (see note 12 (f)) | (535,571) | - | - | (105) | - | (105) | - | (105) |
| Shares-based compensation | - | - | 8 | - | - | 8 | - | 8 |
| Balance as of December 31, 2018 | *) 50,858,618 | 125 | 16,647 | (105) | (8,174) | 8,493 | - | 8,493 |
| Total comprehensive loss | - | - | - | - | (1,475) | (1,475) | - | (1,475) |
| Share issuance upon exercise of options | 5,000 | **) - | 1 | - | - | 1 | - | 1 |
| Share-based compensation | | - | 3 | - | | 3 | | 3 |
| Balance as of December 31, 2019 | *) 50,863,618 | 125 | 16,651 | (105) | (9,649) | 7,022 | - | 7,022 |
| Total comprehensive loss | - | - | - | - | (2,128) | (2,128) | - | (2,128) |
| Share-based compensation | - | - | 1 | - | - | 1 | - | 1 |
| Balance as of December 31, 2020 | *) 50,863,618 | 125 | 16,652 | (105) | (11,777) | 4,895 | - | 4,895 |

*) Net of 535,571 shares held in treasury.

**) Represents an amount lower than $ 1 thousand.

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S. dollars in thousands | | |
| Cash flows from operating activities: | | | |
| Loss | (2,180) | (1,448) | (1,007) |
| Adjustments to reconcile loss to net cash provided by (used in) operating activities: | | | |
| Adjustments to the profit or loss items: | | | |
| Depreciation and amortization | 328 | 308 | 46 |
| Deferred tax | - | - | 226 |
| Finance expenses (income), net | 5 | (70) | 64 |
| Financial expenses lease liabilities | 16 | 20 | - |
| Share-based compensation | 2 | 3 | 8 |
| Change in employee benefit liabilities, net | 59 | 47 | 15 |
| Changes in asset and liability items: | | | |
| Decrease (increase) in trade receivables | 451 | 1,164 | (823) |
| Decrease (increase) in other accounts receivable and prepaid expenses (including long-term) | (33) | 61 | 59 |
| Increase (decrease) in trade payables | 52 | (74) | 26 |
| Increase (decrease) in deferred revenues | (164) | (91) | (74) |
| Increase (decrease) in other accounts payable and accrued expenses | (144) | 146 | - |
| | 572 | 1,514 | (453) |
| Net cash provided by (used in) operating activities | (1,608) | 66 | (1,460) |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **U.S. dollars in thousands** | | |
| Cash flows from investing activities: | | | |
| Decrease (increase) in restricted cash | 511 | 278 | (164) |
| Increase in short-term bank deposits | (638) | (139) | - |
| Increase in long-term deposits | | - | (2) |
| Purchase of property, plant and equipment | (10) | (88) | (16) |
| Sale of equipment | 55 | - | - |
| Net cash provided by (used in) investing activities | (82) | 51 | (182) |
| Cash flows from financing activities: | | | |
| Repayment of lease liabilities | (291) | (287) | - |
| Proceeds from share issuance upon exercise of options | - | 1 | - |
| Proceed from bank loan | 234 | - | - |
| Purchase of treasury shares | - | - | (105) |
| Receipt of refundable grants | - | - | 22 |
| Net cash used in financing activities | (57) | (286) | (83) |
| Decrease in cash and cash equivalents | (1,747) | (169) | (1,725) |
| Cash and cash equivalents at beginning of year | 2,974 | 3,143 | 4,868 |
| Cash and cash equivalents at end of year | 1,227 | 2,974 | 3,143 |
| (a) Supplemental disclosure of non-cash activities: | | | |
| Right-of-use assets and corresponding lease liabilities | 262 | 59 | - |

The accompanying notes are an integral part of the consolidated financial statements.

**NOTE 1:- GENERAL**

a. The Company commenced its operations on October 1, 1998, and is engaged in developing advanced learning, training and simulation technologies and applications for use in professional communities. The Company's registered office is in Herzlia, Israel.

b. The Company has a wholly-owned subsidiary in the United States, SimiGon Inc, which is engaged in the marketing of the Company's products in the United States.

National Simulation Services Inc, which was a wholly-owned subsidiary of SimiGon Inc, was dissolved on December 20, 2019.

SimiGon Pte Ltd., which was a wholly-owned subsidiary of SimiGon Ltd in Singapore and was engaged in the marketing of the Company's products in the Far East, was dissolved on November 1, 2019.

SimiGon S.A.S, in which 70% of its shares were held by SimiGon Inc and was located in Colombia for the purpose of marketing the Company's products in South America, has commenced its dissolvement on November 5, 2019.

c. The Company's shares are traded on the Alternative Investment Market ("the AIM") on the London Stock Exchange.

d. Definitions:

In these financial statements:

| | | |
|---|---|---|
| The Company | - | SimiGon Ltd. |
| The Group | - | SimiGon Ltd. and its subsidiary. |
| Subsidiaries | - | Companies that are controlled by the Company, as defined in IFRS 10. |
| Related parties | - | As defined in IAS 24. |
| Dollar/$ | - | U.S. dollar |

e. Assessment of going concern as a result of coronavirus (COVID-19):

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. COVID-19 threatens to be a disruptor to companies, supply chains and the world economy. Despite the uncertainty as to the severity and duration of the global pandemic, and its impact that has been and might be on the Company’s operation, these consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In arriving at this determination, the Company has undertaken a thorough review of the Company’s cash flow forecast and potential liquidity risks. Cash flow projections have been prepared which show that the Company will have sufficient funds to finance its operations and meet its obligations during the period of at least 12 months from the date of approval of the consolidated financial statements.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of preparation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

b. Functional currency, presentation currency and foreign currency:

The consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.
The functional currency of the subsidiaries is the U.S. dollar.

Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

d. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition.

e. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition. The deposits are presented according to their terms of deposit.

f. Financial instruments:

On January 1, 2018, the Company initially adopted IFRS 9, "Financial Instruments" ("the Standard"). The Company elected to adopt the provisions of the Standard retrospectively without restatement of comparative data.

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

a) Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

b) Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

Other financial assets held for trading such as derivatives, including embedded derivatives separated from the host contract, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.
The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

3. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method.

4. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

g. Leases:

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"). The Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from January 1, 2019, is as follows:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, at the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses a single incremental borrowing rate, to a portfolio of leases with reasonably similar characteristics. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured using a revised discount rate, with a corresponding adjustment to the related right-of-use asset, if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company recognizes right-of-use assets at an amount equal to the lease liability. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are amortized on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment. The amortization periods of the right-of-use assets are as follows; facilities – 5 years; Vehicles – 3 years.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5). Lease payments for short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

In respect of lease payments that depend on the Consumer Price Index, on the commencement date the Company uses the index prevailing on the commencement date to calculate the future lease payments.

The aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to lease payments takes effect).

The accounting policy for leases applied until December 31, 2018 is as follows:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

Operating leases:

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

h. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

| | **%** |
|---|---|
| Computers and peripheral equipment | 33 |
| Office furniture and equipment | 7 - 15 (mainly 15%) |
| Leasehold improvements | Over the term of the lease or the expected life, whichever is shorter |

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the derecognizing of the asset (determined as the difference between the net disposal proceeds and the carrying amount in the financial statements) is included in profit or loss when the asset is derecognized.

i. Research and development:

Research and development costs are charged to profit or loss as incurred as development costs do not meet the criteria for recognition as an intangible asset.

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

The following criteria are applied in assessing impairment of goodwill in respect of a business combination:

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at the acquisition date, to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

The Company reviews goodwill for impairment once a year as of December 31 or more frequently if events or changes in circumstances indicate that there is impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

k. Government grants:

Government grants are recognized where there is reasonable assurance that the grant will be received and the Company will comply with the attached conditions.

Government grants received from the Office of the Chief Scientist ("OCS") and the Korea Israel Industrial R&D Foundation as support for research and development projects which grants include an obligation to pay royalties that are conditional on future sales arising from the project, are recognized upon receipt as a liability if future economic benefits are expected from the project that will result in royalty-bearing sales. If no such economic benefits are expected, the grants are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as contingent liability in accordance with IAS 37.

At the end of each reporting period, the Company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties). If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recorded in profit or loss as a reduction of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

Grants received after January 1, 2009, which are recognized as a liability, are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9, "Financial Instruments". Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a government grant and recognized as a reduction of research and development expenses.

After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest rate and recorded in profit or loss in accordance with the provisions of IFRS 9.

Royalty payments are treated as a reduction of the liability.

l. Revenue recognition:

On January 1, 2018, the Company initially adopted IFRS 15, "Revenue from Contracts with Customers" ("the Standard"). The Company elected to adopt the provisions of the Standard using the modified retrospective method with the application of certain practical expedients and without restatement of comparative data.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

*Revenue from rendering of services:*

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenue is recognized in the reporting periods in which the services are rendered. The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability.

*Revenue from customization contracts:*

At contract inception, the Company identifies the customization work as a performance obligation. Since the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, the Company recognizes revenue over time.

The Company applies a cost-based input method for measuring the progress of performance obligations that are satisfied over time. The Company believes that the use of this input method, according to which revenue is recognized based on the inputs expended by the Company for fulfilling its performance obligations, best reflects the actual revenue earned. In applying this input method, the Company estimates the costs to complete contract performance in order to determine the amount of the revenue to be recognized. These estimated costs include the direct costs and the indirect costs that are directly attributable to a contract based on a reasonable allocation method. Moreover, in measuring the percentage of completion, the Company does not consider costs that do not contribute to the progress in satisfying performance obligations, such as (costs of uninstalled materials, etc.).

In certain circumstances, the Company is unable to measure the outcome of a contract, but the Company expects to recover the costs incurred in fulfilling the contract as of the reporting date. In such circumstances, the Company recognizes revenue to the extent of the costs incurred as of the reporting date until such time the outcome of the contract can be reasonably measured.

If a loss is anticipated from a contract, the loss is recognized in full regardless of the percentage of completion.

*Contract balances:*

The Company charges customers as the work progresses in accordance with the contractual terms. Amounts billed are classified as trade receivables in the statement of financial position. When revenues from performance of a contract are recognized in profit or loss before the customer is charged, these amounts are recorded as contract assets/income receivable.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Amounts received from customers in advance of performance by the Company are recorded as contract liabilities/deferred revenues from customers and recognized as revenue in profit or loss when the work is performed.

m. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

n. Provisions:

A provision in accordance with IAS 37 is recognized when the Company has a present (legal or constructive) obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

o. Employee benefits:

The Company's liability for severance pay pursuant to the Israel's Severance Pay Law (for those who elected not to be fully included under section 14 of the Severance Pay Law, 1963) is based on the last monthly salary of the employee multiplied by the number of years of employment, as of the date of severance.

The cost of providing severance pay is determined using an independent actuary. Remeasurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Pursuant to Section 14 of the Severance Pay Law, which covers 75% of most of the employees' severance pay, monthly deposits with insurance companies release the Company from any future severance obligations in respect of those employees (defined contribution). Deposits under Section 14 are recorded as an expense in the Company's statements of comprehensive income.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

p. Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, short-term deposits, short-term investments, trade receivables, restricted cash, other accounts receivable, trade payables and other accounts payable approximate their fair value due to the short-term maturity and high probability of repayment of such instruments.

q. Share-based payment transactions:

The Company applies the provisions of IFRS 2, "Share-Based Payment". IFRS 2 requires an expense to be recognized where the Company buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares of rights over shares ("cash-settled transactions"). The main impact of IFRS 2 on the Company is the expensing of employees' and directors' share options (equity-settled transactions).

The Company's employees/other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.
As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period").

The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the change between the cumulative expense recognized at the end of the reporting period and the cumulative expense recognized at the end of the previous reporting period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

r. Finance income and expenses:

Finance income includes interest income on amounts invested, government grants and exchange rate gains.
Finance expenses comprise interest expense on bank loan, government grants, fees and exchange rate losses.

s. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:
The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

t. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements.

In the process of applying the significant accounting policies, the Group has made the following judgments which have a significant effect on the amounts recognized in the financial statements:

1. Judgments:

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price and exercise price and judgments regarding expected volatility, expected life of share option and expected dividend yield.

2. Estimates and assumptions:

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

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

- Chief Scientist grants:

  Government grants received from the Office of the Chief Scientist at the Ministry of Industry, Trade and Labor are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the

  estimated future cash flows and the estimated discount rate used to measure the amount of the liability. As for the accounting treatment of grants received from the OCS, see also Note 14.

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

## NOTE 3:- SHORT-TERM INVESTMENTS

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | U.S. dollars in thousands | |
| Financial assets classified as held for trading at fair value through profit or loss - Mutual Funds *) | 1,889 | 1,887 |

*) Short-term investments in mutual funds are considered as highly liquid low risk investments.

## NOTE 4: - TRADE RECEIVABLES

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | U.S. dollars in thousands | |
| Trade receivables (1) | 956 | 1,407 |
| (1) Net of allowance for doubtful debts | - | 446 |

Trade receivables are non-interest bearing and are generally on 30 - 90 days' terms.

The aging analysis of trade receivables is as follows:

| | Neither past due nor impaired | Past due but not impaired: < 30 days | 30 - 60 days | 60 - 90 day | > 90 days | Total |
|---|---|---|---|---|---|---|
| | U.S. dollars in thousands | | | | | |
| Year 2020 (before allowance for doubtful debts) | 479 | - | 63 | 353 | 61 | 956 |
| Allowance for doubtful debts | - | - | - | - | - | - |
| Year 2020 (After allowance for bad debts) | 479 | - | 63 | 353 | 61 | 956 |

## NOTE 4: - TRADE RECEIVABLES (Cont.)

The aging analysis of trade receivables is as follows:

| | Neither past due nor impaired | Past due but not impaired < 30 days | 30 - 60 days | 60 - 90 day | > 90 days | Total |
|---|---|---|---|---|---|---|
| | U.S. dollars in thousands | | | | | |
| Year 2019 (before allowance for doubtful debts) | 653 | 548 | 23 | - | 629 | 1,853 |
| Allowance for doubtful debts | - | - | - | - | (446) | 446 |
| Year 2019 (After allowance for bad debts) | 653 | 548 | 23 | - | 183 | 1,407 |

## NOTE 5:- RESTRICTED CASH

a. As part of the regulatory approval received for a $2 million contract with the Israeli Air Force, on May 2, 2017 the Company issued a Performance Bond deposit in a total amount of $ 299 thousand to secure deliveries and receiving payments from the customer. On June 2018 the Performance Bond has been canceled and was replaced with a Performance Bond issued in October 30, 2018 in a total amount of $ 521 thousand. The Performance Bond was held through a deposit bearing annual interest of 0.55% and its balance as of December 31, 2018 and December 31, 2019 amounted to $ 521 thousand and$ 523 thousand, respectively.

On March 12, 2020, the Performance Bond has come to an end and expired.

b. On December 12, 2018 an additional Performance Bond was issued in a total amount of $ 22 thousand to secure deliveries and receiving payments from the customer. The Performance Bond was held through a deposit bearing annual interest of 0.56% and its balance as of December 31, 2018 amounted to $ 22 thousand.

On September 23, 2019 the Performance Bond has come to an end and expired.

c. As part of the regulatory approval received for a $1.1 million contract with the Israeli Air Force, on September 20, 2018 the Company issued a Performance Bond deposit in a total amount of $ 256 thousand to secure deliveries and receiving payments from the customer. The Performance Bond was held through a deposit bearing annual interest of 0.48% and its balance as of December 31, 2018 amounted to $ 257 thousand.

On May 2, 2019 the Performance Bond has come to an end and expired.

d. To operate an ongoing business bank account, the Company is obligated to secure a deposit in the amount of $ 15 thousand in favor of the bank.

e. As part of its premises lease agreement, the Company is obligated to secure a deposit in the amount of $ 23 thousand in favor of the landlord.

## NOTE 5:- RESTRICTED CASH (Cont.)

f. As part of the loan agreement as disclosed under Note 11, the Company is obligated to secure a deposit in the amount of $ 12 thousand in favor of the bank.

## NOTE 6:- PROPERTY, PLANT AND EQUIPMENT

Composition and movement:

| | Computers and peripheral equipment | Office furniture and equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| | U.S. dollars in thousands | | | |
| **Cost:** | | | | |
| Balance as of January 1, 2019 | 781 | 216 | 97 | 1,094 |
| Disposal during the year | (5) | - | - | (5) |
| Acquisitions during the year | 84 | 3 | 1 | 88 |
| Balance as of December 31, 2019 | 860 | 219 | 98 | 1,177 |
| Sale during the year | (63) | - | - | (63) |
| Disposal during the year | (7) | - | - | (7) |
| Acquisitions during the year | 10 | 1 | - | 11 |
| Balance as of December 31, 2020 | 800 | 220 | 98 | 1,118 |
| Accumulated depreciation: | | | | |
| Balance as of January 1, 2019 | 757 | 195 | 76 | 1,028 |
| Disposal during the year | (5) | - | - | (5) |
| Depreciation during the year | 30 | 17 | 8 | 55 |
| Balance as of December 31, 2019 | 782 | 212 | 84 | 1,078 |
| Sale during the year | (10) | - | - | (10) |
| Disposal during the year | (7) | - | - | (7) |
| Depreciation during the year | 23 | 4 | 8 | 35 |
| Balance as of December 31, 2020 | 788 | 216 | 92 | 1,096 |
| Depreciated cost as of December 31, 2020 | 12 | 4 | 6 | 22 |
| Depreciated cost as of December 31, 2019 | 78 | 7 | 14 | 99 |

## NOTE 7:- RIGHT OF USE ASSETS AND LEASE LIABILITIES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| | Facilities | Vehicles | Total ROU assets | Lease liabilities |
|---|---|---|---|---|
| | U.S. dollars in thousands | | | |
| As of January 1, 2020 | 249 | 45 | 294 | 276 |
| Additions and extensions | 262 | - | 262 | 262 |
| Depreciation | (279) | (23) | (302) | - |
| Payments | | | | (287) |
| Interest, currency exchange rate and Consumer Price Index | 3 | 3 | 6 | 12 |
| As of December 31, 2020 | 235 | 25 | 260 | 263 |

## NOTE 7:- RIGHT OF USE ASSETS AND LEASE LIABILITIES (Cont.)

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during year 2019:

| | Facilities | Vehicles | Total ROU assets | Lease liabilities |
|---|---|---|---|---|
| | U.S. dollars in thousands | | | |
| As of January 1, 2019 | $ 485 | $ - | $ 485 | $ 485 |
| Additions and extensions | - | 59 | 59 | 59 |
| Depreciation | (235) | (19) | (252) | - |
| Payments | - | - | - | (287) |
| Interest, currency exchange rate and Consumer Price Index | (1) | 5 | 2 | 20 |
| As of December 31, 2019 | $ 249 | $ 45 | $ 294 | $ 276 |

Information on leases:

a. Premises occupied by the Company are rented under various non-cancelable lease agreements. The latest rental agreement for the premises expires in September 2021 as determined under a lease agreement signed on February 11, 2021.

b. The Company has leased various motor vehicles under cancelable operating lease agreements, which expire on various dates, the latest of which is in January 2022.

c. Premises occupied by the subsidiaries are rented under non-cancelable lease agreements. The latest rental agreement for the premises expires in March 2021 with option to extend the lease period for additional 12 months as determined under a lease agreement signed on February 9, 2016 by SimiGon Inc.

The total depreciation expenses related to premises occupied by the Company for the year ended December 31, 2020 and for the year ended December 31, 2019 were $184 thousand and $178 thousand, respectively. The total interest expenses related to premises occupied by the Company for the year ended December 31, 2020 and for the year ended December 31, 2019 were $2 thousand and $11 thousand, respectively.

The total depreciation expenses related to premises occupied by the subsidiary (SimiGon Inc) for the year ended December 31, 2020 and for the year ended December 31, 2019 were $95 thousand and $55 thousand, respectively. The total interest expenses related to premises occupied by the subsidiaries for the year ended December 31, 2019 and for the year ended December 31, 2020 were $2 thousand and $6 thousand, respectively.

## NOTE 7:- RIGHT OF USE ASSETS AND LEASE LIABILITIES (Cont.)

The total depreciation expenses related to various motor vehicles by the Company for the year ended December 31, 2020 and for the year ended December 31, 2019 were $23 thousand and $20 thousand, respectively. The total interest related to various motor vehicles by the Company for the year ended December 31, 2019 and for the year ended December 31, 2020 were $2 thousand and $1 thousand, respectively.

## NOTE 8:- GOODWILL

| | Carrying amount as of December 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **U.S. dollars in thousands** | |
| Goodwill *) | 1,068 | 1,068 |
| Total | 1,068 | 1,068 |

*) As the activities of Visual Training Solution Group ("VTSG") have been fully integrated into those of the Company, the goodwill arising in the acquisition of VTSG is evaluated for impairment purposes as part of the cash generating unit representing the Company.

Based on an analysis performed by a third party, the fair value of the Company exceeded the carrying amount of the Company's net assets (equity) as at December 31, 2020, and therefore, the Company’s goodwill was not deemed to be impaired.

## NOTE 9:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | December 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **U.S. dollars in thousands** | |
| Employees and payroll accruals | 373 | 388 |
| Accrued expenses | 328 | 457 |
| | 701 | 845 |

## NOTE 10:- EMPLOYEE BENEFIT LIABILITIES, NET

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below.

The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Company into pension funds and/or policies of insurance companies release the Company from any additional liability to employees for whom said contributions were made. These contributions and contributions for benefits represent defined contribution plans

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **U.S dollars in thousands** | | |
| Expenses in respect of defined contribution plans under Section 14 to the Severance Pay Law, 1963 | 111 | 126 | 126 |

b. Amounts recognized in the statements of comprehensive income are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current service cost | 53 | 58 | 56 |
| Interest cost | 10 | 12 | 10 |
| Exchange rate | 25 | 26 | (22) |
| Total expense included in profit or loss | 88 | 96 | 44 |

## NOTE 10:- EMPLOYEE BENEFIT LIABILITIES, NET (Cont.)

c. Changes in the present value of defined benefit obligation:

Composition:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S dollars in thousands | | |
| Balance at January 1 | 362 | 287 | 289 |
| Interest cost | 10 | 12 | 10 |
| Exchange rate | 25 | 26 | (23) |
| Current service cost | 53 | 58 | 56 |
| Benefits paid | (29) | (48) | (29) |
| Remeasurement loss (gain) | (52) | 27 | (16) |
| Balance at December 31 | 369 | 362 | 287 |

d. The actuarial assumptions used are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Discount rate | 2.64% | 2.77% | 4.05% |
| Future salary increases | 3.56% | 3.55% | 3.57% |
| Average expected remaining working years | 7.35 | 7.42 | 7.42 |
| Remeasurement gain (loss) in respect of defined benefit plan | (52) | (27) | 17 |

## NOTE 11:- LONG-TERM LOAN

a. Comprised as follows:

| | Linkage terms | Interest rate as of December 31, | | December 31, | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | | | U.S. dollars in thousands | |
| From bank (c) | Prime +1.5% | 3.45% | - | 248 | - |
| Less - current maturities | | | | 34 | - |
| | | | | 214 | - |

b. The aggregate annual maturities of the long-term loan are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | U.S. dollars in thousands | |
| First year (current maturities) | 34 | - |
| Second year | 60 | - |
| Third year | 62 | - |
| forth year | 64 | - |
| Fifth year | 28 | - |
| | 248 | - |

c. Due to the overall potential impact of Coronavirus (the “COVID-19”) on the Company’s future revenues, profitability, liquidity and financial position of COVID-19, on May 12, 2020, the Company signed a loan agreement for a total of NIS 800 thousand with Bank Mizrahi Ltd. following the announcement made by the State of Israel of the opening of dedicated small business financial aid funds following the COVID-19 crisis (the “Loan Agreement”).

The following are the main terms of the Loan Agreement as determined by the State of Israel:

a. Pay off the Loan over up to 5 years.
b. Postpone principal payments for up to 12 months.
c. Full payment of interest by the State of Israel for the first year. Prime + 1.5% average interest rate from the second year and onwards.
d. Up to 5% of liquid collateral.
e. Exemption from fees to Bank Mizrahi Ltd. or the State of Israel.

**NOTE 12:- EQUITY**

a. Share issuance:

1. On September 12, 2011, the Board of Directors approved the implementation of a share bonus plan ("the Share Bonus Plan") for year 2011.

   According to the Share Bonus Plan, the Bonus Compensation will be granted with an equivalent value of Ordinary shares based on the quoted fair market price of the shares as of September 12, 2011, which is equal to $ 0.0812 per Ordinary share ("the Bonus Shares"). The Bonus Shares will vest upon receiving actual payment from the customer under the relevant PO ("the Bonus Shares Vested Date").
   The fair value, on date of grant equal to $ 0.08 per Ordinary Share.

   Based on full vesting as of December 31, 2011, the Company's senior management and other employees are entitled to a total of 2,889,379 Ordinary Shares and a total of 3,141,288 Options at an exercise price of NIS 0.01 per share of the Company, which Ordinary Shares and Options were issued in 2012.

   On April 12, 2012 the Company issued a total 2,055,838 Ordinary Shares and 3,141,288 Options at an exercise price of 0.01 NIS each ("Options") to its senior management and other employees.

   On October 11, 2012, a total of 833,541 Ordinary Shares have been issued to senior management and employees, including 516,921 Ordinary Shares to Mr. Ami Vizer the Chief Executive Officer of the Company and also a Director of the Company.

   Further to the above, on April 30, 2014 a total of 1,712,429 options were exercised under the Company's Stock Option Plan by senior management into SimiGon's Ordinary Shares at an exercise price of NIS 0.01 each. Out of the shares issued, 1,497,674 and 37,582 Ordinary Shares were issued to the Company's CEO and CFO, who are also Directors of the Company; respectively.

   On November 11, 2014 a total of 527,554 options were exercised under the Company's Stock Option Plan into SimiGon's Ordinary Shares at an exercise price of NIS 0.01 each by the Company's CEO, who is also Director of the Company.

   On April 27, 2015, a total of 600,270 options were exercised under the Company's Stock Option Plan by the Company's CEO, Mr. Ami Vizer, who is also a Director of the Company, into Ordinary shares at an exercise price of NIS 0.01 each.

   On September 27, 2016, a total of 301,035 options were exercised under the Company's Stock Option Plan by the Company's CEO, Mr. Ami Vizer, who is also a Director of the Company, into Ordinary shares at an exercise price of NIS 0.01 each.

**NOTE 12:- EQUITY (Cont.)**

2. On February 26, 2015, the Company's Board of directors approved the grant of an annual bonus to key employees and Non-Executive Directors of $150 thousand in recognition of their contribution to the Company's positive financial performance in 2014 and as part of the Company's consistent approach to compensate its key employees and Non-Executive Directors (excluding the Company's CEO and CFO). The bonus was to be granted in shares calculated based on the closing price on the day of announcement of the Company's financial results for 2014. The bonus granted to the Non-Executive Directors was subject to the approval of the Company's shareholders. A provision for this bonus was recorded in the 2014 annual financial statements.

   Further to the above, on May 21, 2015 the Company issued a total of 285,000 Ordinary shares to the key employees and Non-Executive Directors

   On September 27, 2016 the Company issued a total of 100,000 Ordinary shares to the Non-Executive Directors, in respect of the above bonus.

3. On January 21, 2015, a total of 3,194 options were exercised under the Company's Stock Option Plan by a by a former employee at an average exercise price of $ 0.19.

4. On April 16, 2015, a total of 25,000 options were exercised under the Company's Stock Option Plan by a by a former employee at an average exercise price of $ 0.12.

5. With respect to fiscal year 2016 and in accordance to the Company's Compensation Policy Plan mentioned below, on April 16, 2016, the Company's Board of directors approved the grant of annual bonuses in the amount of up to $ 125 thousand and up to NIS 125 thousand to Mr. Ami Vizer, the Company's Chief Executive Officer who is also a Director of the Company and to Mr. Efraim Manea, a director of the Company and its CFO; respectively. The granted bonuses are subject to revenues, net profit and share price criteria and milestones.

   On April 6, 2017 the Company's board of directors approved that the bonuses were to be granted in Ordinary Shares of the Company calculated based on the closing price on the day of announcement of the Company's financial results for 2016 instead of being payable in cash. The grant of bonuses in Ordinary Shares of the Company will also be subject to the approval of the Company's shareholders. A provision for this bonus was recorded in the 2016 annual financial statements.

   On September 8, 2017 the Company's shareholders approved the conversion of the 2016 annual cash bonuses approved by the Company's Board of Directors on April 14, 2016 in accordance with the Company's Compensation Policy Plan to Mr. Ami Vizer the Company's Chief Executive Officer and an executive director in a total amount of GBP £21,934 and to Mr. Efi Manea the Company's Chief Financial Officer and an executive director in a total amount of GBP £5,699, into the allotment of 125,338 and 32,564 Ordinary Shares of 0.01 par value of the Company, respectively, such shares to be issued under the Company's Employees' Share Option Plans.

**NOTE 12:- EQUITY (Cont.)**

As of the date of the approval of the financial statements, the shares have not been issued yet.

6. On March 14, 2019, a total of 5,000 options were exercised under the Company's Stock Option Plan by a by a former employee at an average exercise price of $ 0.12.

b. Composition of share capital:

| | December 31, 2020, 2019 and 2018 | December 31, | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | Authorized | Issued and outstanding | | |
| | Number of shares | | | |
| Ordinary shares of NIS 0.01 par value each | 100,000,000 | 50,863,618 (*) | 50,858,618 (*) | 51,394,189 |

(*) Net of 535,571 Ordinary shares held in treasury.

c. Stock option plan:

In August 2000, the Company's Board of Directors authorized an incentive share option plan ("the Option Plan") and has since granted options to purchase Ordinary shares to employees and consultants. Under the Option Plan, options generally vest ratably over a period of four years, commencing with the date of grant.

The exercise price of the options granted under the Option Plan may not be less than the par value of the shares. The options generally expire no later than 10 years from the date of the grant, and are non-transferable, except under the laws of succession. On November 2, 2010, the Company decided to increase its Option Plan reserves by 8,000,000 options to accumulate a total of 17,500,000. As of December 31, 2018, an aggregate of 2,463,829 Ordinary shares of the Company are still available for future grant.

On April 14, 2016 the Board of Directors approved a total grant of 40,000 options to purchase Ordinary shares of the Company to SimiGon's employees. Such options were granted in accordance with the Company's Employees' Stock Option Plan and will vest quarterly over a period of 4 years commencing from the grant date at an exercise price of $ 0.24. Out of the total approval, the Company granted a total of 35,000 options.

On September 21, 2017 the Board of Directors approved a total grant of 170,000 options to purchase Ordinary shares of the Company to SimiGon's employees. Such options were granted in accordance with the Company's Employees' Stock Option Plan and will vest quarterly over a period of 4 years commencing from the grant date at an exercise price of $ 0.236.

**NOTE 12:- EQUITY (Cont.)**

On July 7, 2020 the Board of Directors approved a total grant of 100,000 options to purchase Ordinary shares of the Company to Mr. Jack Sarnicki the Chief Operating Officer of SimiGon Inc. The issuance of Option will be in accordance to the Company's Compensation Policy. Such options were granted subject to the terms and conditions applicable to the Company's 2016 U.S. Share Options Plan and in accordance to the applicable Option Agreement. According to the option agreement, a total of 25% of the Option will be vested after 12 months of continuous service and the balance will be vested in equal monthly installments over the next 36 months of continuous service. In the event of M&A transaction or sales of the Company, the remaining unvested Option will become fully vested.

On November 24, 2013, the Company's Board of directors approved the extension of the Israeli Share and Option Plan for 2003 for additional 10 years under the same terms and conditions. Further to the termination of the US Stock Option Plan from December 2006 (USOP 2006), on November 23, 2016 (followed by a shareholder's approval), the Company's Board of directors approved the adoption of a new US Share and Option Plan (USOP) which will be based on the same terms and conditions of USOP 2006. The new USOP is subject to the approval of the Company's shareholders.

The fair value of share options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following are the inputs to the model used for the years ended December 31, 2020: risk-free interest rate ranging from 0.65%; a dividend yield of 3%; expected volatility of 80%; and a weighted average expected life of the options of 9.52 years. The weighted average fair values of the options granted in 2020, were $0.081.

A summary of the activity in options to employees, consultants, and directors (including the senior management, see d. below) for the years 2020, 2019 and 2018 is as follows:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding at beginning of year | 639,333 | $ 0.281 | 784,333 | $ 0.247 | 824,333 | $ 0.265 |
| Granted | 100,000 | $ 0.081 | - | - | - | - |
| Exercised | - | - | (5,000) | $ 0 | - | - |
| Expired | (33,333) | $ 0.129 | (110,000) | $ 0.075 | (40,000) | $ 0.605 |
| Forfeited | (104,000) | $ 0.261 | (30,000) | $ 0.181 | - | - |
| Outstanding at end of year | 602,000 | $ 0.260 | 639,333 | $ 0.281 | 784,333 | $ 0.247 |
| Exercisable options | 489,707 | $ 0.285 | 505,165 | $ 0.292 | 618,497 | $ 0.250 |

**NOTE 12:- EQUITY (Cont.)**

The options outstanding as of December 31, 2020, have been separated into ranges of exercise price as follows:

| Exercise price | Options outstanding as of December 31, 2020 | Weighted average remaining contractual life (years) | Options exercisable as of December 31, 2020 |
|---|---|---|---|
| $ 0.002 - $ 0.25 | 325,000 | 4.54 | 217,707 |
| $ 0.335 - $ 1.2 | 277,000 | 3.03 | 272,000 |
| | 602,000 | | 489,707 |

d. Options to the CEO and senior employees:

Further to Note 11a1, (a) on April 12, 2012, the Company issued 2,926,533 and 182,541 Options to Mr. Ami Vizer, the Company's Chief Executive Officer who is also a Director of the Company, and to senior management, respectively; (b) on December 20, 2012 the Annual General meeting of the Company's approved the grant of 37,582 options to purchase Ordinary Shares to Mr. Efraim Manea, a director of the Company and its CFO and (c) as of December 31, 2014 and 2013, the Company recorded share-based compensation expenses in a total of $ 46 thousand and $ 66 thousand in respect to the CEO, respectively.

On April 30, 2014 a total of 1,497,674 and 182,541 Options have been exercised into Ordinary Shares of the Company by Mr. Ami Vizer and to senior management, respectively;

On November 11, 2014 a total of 527,554 Options have been exercised into Ordinary Shares of the Company by Mr. Ami Vizer.

On April 27, 2015, a total of 600,270 Options have been exercised into Ordinary Shares of the Company by Mr. Ami Vizer.

On September 27, 2016, a total of 301,035 Options have been exercised into Ordinary Shares of the Company by Mr. Ami Vizer.

**NOTE 12:- EQUITY (Cont.)**

e. Shares to the CEO and senior employees:

Further to Note 11a1, (a) on April 12, 2012 the Company issued a total 1,972,233 and 66,291 Ordinary Shares to Mr. Ami Vizer the Company's Chief Executive Officer who is also a Director of the Company and to senior management, respectively; (b) On October 11, 2012, a total of 516,921 and 309,711 Ordinary Shares each have been issued, to Mr. Ami Vizer and to senior management, respectively; (c) On April 30, 2014 a total of 1,497,674 and 214,755 Ordinary Shares have been issued, to Mr. Ami Vizer and to senior management, respectively; (d) On November 11, 2014 a total of 527,554 Ordinary Shares have been issued, to Mr. Ami Vizer (e) (f) On April 27, 2015, a total of 600,270 Ordinary Shares have been issued, to Mr. Ami Vizer and (h) On September 27, 2016, a total of 301,035 Ordinary Shares have been issued, to Mr. Ami Vizer.

For the year ended December 31, 2015, the Company recorded share-based compensation expenses in a total of $ 28 thousand, in respect to the shares granted to the CEO.

f. Shares buyback Program:

On September 8, 2017, the Company's shareholders approved that the Company be generally and unconditionally authorized to make one or more irrevocable, non-discretionary market purchases of its own ordinary shares of 0.01 NIS each in the capital of the Company ("Ordinary Shares") (the "Repurchase Programme").

All purchases will be made by way of on-market purchases for the purposes of the rules of the London Stock Exchange through a certified broker, in accordance with the authority conferred by the Articles, the AIM Rules for Companies, this General Meeting and all other applicable rules and regulations, and will be made subject to the following limitations:

1. the absolute maximum value of Ordinary Shares acquired pursuant to the Repurchase Programme shall not, in aggregate, exceed GBP £800,000;

2. there will be no minimum price which may be paid for an Ordinary Share;

3. the maximum price which may be paid for an Ordinary Share is 110 percent of the average of the middle market quotations for an Ordinary Share (as derived from the Daily Official List) for the 5 business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;

4. the minimum and maximum prices per Ordinary Share referred to in sub-paragraphs (ii) and (iii) of this resolution are in each case exclusive of any expenses payable by the Company;

5. any Ordinary Shares purchased under the Repurchase Programme will be held in treasury and will be notified to a Regulatory Information Service in accordance with the AIM Rules for Companies; and

**NOTE 12:- EQUITY (Cont.)**

6. the authority conferred by this resolution shall expire at the end of the General Meeting in 2018.

A summary of the Company's purchasing through finnCap Ltd (acting as the Company's broker) of its Ordinary Shares for 2019 is as follows:

| Date | Number of Ordinary Shares Repurchased | Price per Ordinary Share of 0.01 NIS | Purchase amount (in thousand) | total number of Ordinary Shares outstanding after the Repurchase |
|---|---|---|---|---|
| March 2, 2018 | 225,000 | $0.212 | 47 | 51,169,189 |
| June 6, 2018 | 30,000 | $0.229 | 6 | 51,139,189 |
| August 17, 2018 | 100,000 | $0.203 | 18 | 51,039,189 |
| September 7, 2018 | 117,000 | $0.212 | 21 | 50,922,189 |
| October 10, 2018 | 63,571 | $0.212 | 13 | 50,858,618 |
| | 535,571 | | 105 | |

The Repurchased shares, along with any other Ordinary Shares purchased by the Company pursuant to the Programme, will be held in treasury.

## NOTE 13:- INCOME TAXES

a. Tax benefits under the Law for the Encouragement of Capital Investments, 1959:

The Company has been granted an "Approved Enterprise" status for an original program and an additional expansion program, ("the programs") under the Law for the Encouragement of Capital Investments, 1959 ("the Law"). According to the provisions of the Law, the Company has elected to enjoy the "alternative benefits track" - a waiver of grants in return for tax benefits.

The "Approved Enterprise" status will allow the Company a tax benefit on undistributed income derived from the "Approved Enterprise" program.

The income derived from this "Approved Enterprise" will be tax-exempt for a period of two years, and may enjoy a reduced tax rate of 10% to 25% (based on percentage of foreign ownership) for an additional five years. The seven-year period of benefits will commence with the first year in which the Company earns taxable income.

The Company completed the implementation of its programs.

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the above Law, regulations published thereunder and the letters of approval for the specific investments in "Approved Enterprises". In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, including interest.

Should the Company derive income from sources other than the "Approved Enterprise" during the period of benefits, such income shall be taxable at the regular corporate tax rate.

If tax-exempt profits derived from "Approved Enterprise" are distributed to shareholders, they would be taxed at the corporate tax rate applicable to such profits as if the Company had not elected the alternative system of benefits, currently between 10%-25% for an "Approved Enterprise". An amendment to the Law, which became effective in 2005 ("the Amendment") changed certain provisions of the Law. The change in the tax rate will have immaterial effects on the Company.

As a result of the Amendment, a company is no longer obliged to implement an "Approved Enterprise" status in order to receive the tax benefits previously available under the alternative benefits provisions, and therefore there is no need to apply to the Investment Center for this purpose (Approved Enterprise status remains mandatory for companies seeking grants).

Rather, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set out by the Amendment. A company is also granted a right to approach the Israeli Tax Authorities for a pre-ruling regarding their eligibility for benefits under the Amendment.

**NOTE 13:- INCOME TAXES (Cont.)**

Tax benefits are available under the Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of the company's business income from export. In order to receive the tax benefits, the Amendment states that a company must make an investment in the benefited enterprise exceeding a minimum amount specified in the Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to the beneficiary enterprise ("the Year of Election").

Where a company requests to have the tax benefits apply to an expansion of existing facilities, then only the expansion will be considered a benefited enterprise and the company's effective tax rate will be the result of a weighted combination of the applicable rates. In this case, the minimum investment required in order to qualify as a benefited enterprise is required to exceed a certain percentage of the company's production assets before the expansion.

The duration of tax benefits is subject to a limitation of the earlier of 7 years from the Commencement Year, or 12 years from the first day of the Year of Election.

*Amendments to the Law for the Encouragement of Capital Investments, 1959:*

In December 2010, the "Knesset" (Israeli Parliament) passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment"), which prescribes, among others, amendments in the Law for the Encouragement of Capital Investments, 1959 ("the Law"). The Amendment became effective as of January 1, 2011.

According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income. Commencing from the 2011 tax year, the Company will be able to opt to apply (the waiver is non-recourse) the Amendment and from the elected tax year and onwards, it will be subject to the amended tax rates that are: 2011 and 2012 - 15% (in development area A - 10%), 2013 - 12.5% (in development area A - 7%) and in 2014 and thereafter - 16% (in development area A - 9%).

b. Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985:

Results for tax purposes are measured in terms of earnings in NIS after certain adjustments for increases in the Israeli Consumer Price Index ("CPI"). As explained in Note 2b, the financial statements are presented in U.S. dollars.

The difference between the annual change in the Israeli CPI and in the NIS/dollar exchange rate causes a difference between taxable income or loss and the income or loss before taxes reflected in the financial statements.

**NOTE 13:- INCOME TAXES (Cont.)**

c. Carryforward losses:

Domestic:

As of December 31, 2020, 2019 and 2018, the Company had accumulated losses for Israeli tax purposes of approximately $5.3 million, $ 4.5 million and $ 2.6 million, respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period (See Note f below).

Foreign:

As of December 31, 2020, 2019 and 2018, the federal tax loss carryforwards of the U.S. subsidiaries amounted to approximately $4.6 million, $ 4.1 million, $ 4.3 million, respectively. Such losses are available for offset against future U.S. taxable income of the subsidiaries and will expire in the years 2025-2028.

As of December 31, 2018 and 2017, the tax loss carryforwards of the Singaporean subsidiary amounted to approximately $ 87 thousand and $ 81 thousand, respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period. As of December 31, 2019, the Singaporean subsidiary did not have tax loss carryforwards, as it was dissolved on November 1, 2019.

As of December 31, 2018 and 2017, the tax loss carryforward of the Colombian subsidiary amounted to approximately $ 35 thousand and $ 38 thousand, respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period. As of December 31, 2019, the Colombian subsidiary did not have tax loss carryforwards, as it was dissolved on November 5, 2019

As of December 31, 2018, no deferred tax assets have been recorded in respect of carryforward operating losses due the uncertainty as to their realization.

d. Tax rates applicable to the income of the Company and its subsidiaries:

Domestic:

The Israeli corporate income tax rate was 24% in 2017, 23% in 2018 and 23% in 2019.

In January 2016, the Law for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 2016 was approved, which includes a reduction of the corporate tax rate from 26.5% to 25%, effective from January 1, 2016.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

## NOTE 13:- INCOME TAXES (Cont.)

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

Foreign:

The U.S. subsidiaries were incorporated in Orlando, Florida, U.S.A., and are taxed according to U.S. tax laws. The statutory federal tax rate is 35%.

e. Tax assessments:

The Company's tax assessments in Israel for the years until and including 2014 are considered final, subject to the powers vested with the director of the Tax Authority pursuant to sections 145, 147 and 152 to the Income Tax Ordinance.

f. Tax reconciliation:

In 2020 and 2019, the main reconciling item between the tax benefit assuming loss before taxes was taxed at the statutory tax rate of the Company, and the tax expense recorded in profit or loss is carryforward tax losses for which no deferred taxes were provided. In 2018 the main reconciling item is the derecognition of prior years' deferred tax benefits due to the uncertainty as to their realization.

## NOTE 14:- OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES

a. Royalty commitments:

1. In June 2001, the Company and a third party signed a Cooperation and Project Funding Agreement with Britech, which is an establishment of the United Kingdom-Israel Industrial Research and Development Fund. According to the agreement, Britech agreed to fund, by conditional grant, the implementation of the proposal submitted by the Company and the third party for a research and development project in the maximum amount of £ 227 thousand.

   The Company shall make repayments to Britech, based on gross sales derived from the sale, leasing or other marketing or commercial exploitation of the innovation, including service or maintenance contracts, commencing with the first commercial transaction. Such payments shall be repaid in Pounds Sterling at the rate of 2.5% of the first year's gross sales and, in succeeding years, at the rate of 5% of the gross sales until 100%-150% of the conditional grant and other sums have been repaid (incremental 50% based upon agreed milestone which was not fulfilled).

   The Company received a total amount of $ 324 thousand, of which $ 150 thousand and $ 174 thousand were deducted from the research and development expenses in 2001 and 2003, respectively.

**NOTE 14:- OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES (Cont.)**

Although the development of technology had been completed by the third party and the Company, the Company has never received the third party's portion of the developed technology upon completion of the project although it requested it from both the third party and Britech.

Therefore, since the Company cannot utilize the developed technology without the essential portion developed by the third party, the Company has not paid any royalties to Britech and the Company's management believes that it will not be required to pay royalties in the future for the abovementioned project. In addition, the Company did not submit any patent applications in connection with the Britech grant.

2. On September 1, 2009, the Company and a third party signed a Cooperation and Project Funding Agreement with KORIL ("the Agreement"), which is an establishment of the Korea-Israel Industrial Research and Development Fund. According to the agreement, KORIL agreed to fund, by conditional grant, the implementation of the proposal submitted by the Company ("the proposal") and the third party for a research and development project in the maximum amount of $ 273 thousand.

   As of December 31, 2020, the Company received a total amount of $ 254 thousand.

   The Company shall make repayments to KORIL, based on gross sales derived from the gross invoiced sales value of the products, processes, inventions, technology, discoveries, improvements, modifications, methods, software, specifications, or any form of technical information developed or arising from the proposal (gross sales). Such payments shall be repaid in U.S. dollars at the rate of 2.5% of the first year's gross sales until 100% of the conditional grant and other sums have been repaid.

   The total non-current liability for the years ended December 31, 2020 and 2019 was $ 197 thousand and $ 196 thousand, respectively.

3. On September 16, 2010, the Company signed a Project Funding Agreement ("the Agreement") with the Israeli Chief Scientist ("the OCS"). According to the Agreement, the OCS agreed to fund, by conditional grant, the implementation of the proposal submitted by the Company for a research and development project in the maximum amount of $ 365 thousand.

   On March 29, 2011, the Company signed on a supplement to the Agreement ("the Supplement"). According to the Supplement, the OCS agreed to fund, by conditional grant, the implementation of the proposal submitted by the Company for a research and development continued project in the maximum amount of $ 278 thousand.

   As of December 31, 2020, the Company received total amount of $ 611 thousand.

**NOTE 14:- OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES (Cont.)**

The Company shall make repayments to the OCS, based on gross sales derived from the gross invoiced sales value of the products, processes, inventions, technology, discoveries, improvements, modifications, methods, software, specifications, or any form of technical information developed or arising from the proposals (gross sales). Such payments shall be repaid in NIS at the rate of 3% of the first year's gross sales until 100% of the conditional grant and other sums have been repaid.

The total non-current liability for the years ended December 31, 2020 and 2019 was $ 408 thousand and $ 406 thousand, respectively.

4. On April 7, 2011, the Company and a third party signed a Cooperation and Project Funding Agreement with the OCS, which is an establishment of the Italian-Israel Industrial Research and Development Fund. According to the agreement, the OCS agreed to fund, by conditional grant, the implementation of the proposal submitted by the Company ("the proposal") and the third party for a research and development project in the maximum amount of $ 91 thousand.

   As of December 31, 2020, the Company received a total amount of $ 95 thousand.

   The Company shall make repayments to the OCS, based on gross sales derived from the gross invoiced sales value of the products, processes, inventions, technology, discoveries, improvements, modifications, methods, software, specifications, or any form of technical information developed or arising from the proposal (gross sales).

   Such payments shall be repaid in NIS at the rate of 3% of the first year's gross sales until 100% of the conditional grant and other sums have been repaid.

   The total non-current liability for the year ended December 31, 2020 and 2019 was $ 66 thousand and $ 66 thousand, respectively.

5. On November 24, 2015, the Company and a third party signed a Cooperation and Project Funding Agreement with the OCS, which is an establishment of the Italian-Israel Industrial Research and Development Fund. According to the agreement, the OCS agreed to fund, by conditional grant, the implementation of the proposal submitted by the Company ("the proposal") and the third party for a research and development project in the maximum amount of $ 62 thousand.

   The Company shall make repayments to the OCS, based on gross sales derived from the gross invoiced sales value of the products, processes, inventions, technology, discoveries, improvements, modifications, methods, software, specifications, or any form of technical information developed or arising from the proposal (gross sales). Such payments shall be repaid in NIS at the rate of 3% of the first year's gross sales until 100% of the conditional grant and other sums have been repaid.

**NOTE 14:- OTHER LIABILITIES, COMMITMENTS AND CONTINGENCIES (Cont.)**

As of December 31, 2020, the Company received a total amount of $ 57 thousand.

The total non-current liability for the year ended December 31, 2020 and 2019 was $ 37 thousand and $ 40 thousand, respectively.

OCS liabilities (including current liabilities):

| | Year ended December 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **U.S. dollars in thousands** | |
| Balance as of the beginning of the year | 740 | 754 |
| Paid during the year | - | (1) |
| Interest and time value | (5) | (13) |
| Balance as of the year end | 735 | 740 |

b. Litigation:

On January 13, 2020 D.D Goldstein Real Estates and Investment Ltd., which to the Company's knowledge acquired 1,500,000 shares in the Company during 2019, has filed two legal actions in the Tel Aviv District Court - a petition for leave to file a monetary claim concerning salaries on behalf of the Company and an action for prerogative relief concerning resolutions approved at the Company's annual general meeting held on December 30, 2019 regarding the appointment of directors and the determination of their compensation (the “Claims”). The Company filed its response in each of the proceedings. According to the court's decision, the petition for leave to file a monetary claim will resume after a judgment in the action for prerogative relief will be given.

On December 16, 2020, the trial took place in the above-mentioned action for prerogative relief and on February 9, 2021 closing arguments were heard. The parties are now awaiting the judgment in the action for prerogative relief, after which the petition for leave to file a monetary claim will be resumed.

Upon review of the Claims and as of the date of the approval of the Financial Statements, the Company’s legal consultants believe that there is a less than 50% likelihood that the Company will be required to incur financial obligations. Based on the Company's management's assessments, no provision for the Claims has been recorded in the consolidated financial statements.

## NOTE 15:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S. dollars in thousands | | |
| a. Cost of revenues: | | | |
| Salaries and related benefits | 812 | 790 | 581 |
| Lease and office maintenance | 54 | 48 | 71 |
| Travel expenses | 44 | 74 | 111 |
| Depreciation and amortization | 76 | 74 | 12 |
| Share-based compensation | *) - | *) - | 1 |
| Subcontractors | 410 | 811 | 194 |
| | 1,396 | 1,797 | 973 |
| b. Research and development expenses: | | | |
| Salaries and related benefits | 1,688 | 1,982 | 2,092 |
| Lease and office maintenance | 59 | 59 | 246 |
| Depreciation and amortization | 147 | 184 | 21 |
| Share-based compensation | *) - | 2 | 4 |
| Government grants | (45) | (52) | (28) |
| | 1,849 | 2,175 | 2,335 |
| c. Selling and marketing expenses: | | | |
| Salaries and related benefits | 937 | 1,024 | 852 |
| Lease and office maintenance | 26 | 22 | 47 |
| Advertising and sales promotion | 17 | 42 | 45 |
| Travel expenses | 21 | 51 | 66 |
| Depreciation and amortization | 38 | 32 | 7 |
| Share-based compensation | 1 | 1 | 2 |
| Commission and Consultant fees | - | 15 | - |
| | 1,040 | 1,187 | 1,019 |
| d. General and administrative expenses: | | | |
| Salaries and related benefits | 593 | 655 | 666 |
| Lease and office maintenance | 21 | 16 | 33 |
| Travel expenses | 18 | 37 | 13 |
| Professional fees and public company expenses | 400 | 419 | 284 |
| Depreciation and amortization | 29 | 23 | 5 |
| Doubtful debt provision | - | - | 446 |
| Other | 1 | 31 | 15 |
| | 1,063 | 1,171 | 1,462 |

*) Represents an amount lower than $ 1 thousand.

**NOTE 15:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME (Cont.)**

| | Year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **U.S. dollars in thousands** | | |
| e. Finance income: | | | |
| Exchange rate differences | 95 | 66 | 128 |
| Interest income from banks and short-term investments | 73 | 149 | 6 |
| | 168 | 215 | 134 |
| f. Finance cost: | | | |
| Exchange rate differences | 172 | 121 | 108 |
| Government grants | 46 | 56 | 32 |
| Right of use assets | 2 | 18 | - |
| Bank loans and fees | 6 | 20 | 17 |
| | 226 | 215 | 157 |

**NOTE 16:- REVENUES**

The Company manages its business on the basis of one reportable segment.

a. Revenues:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **U.S. dollars in thousands** | | |
| Software licenses | 1,208 | 1,981 | 2,975 |
| Customization | 1,000 | 2,111 | 1,300 |
| Recurring Maintenance & Support | 1,013 | 790 | 656 |
| Training | - | - | 98 |
| | 3,221 | 4,882 | 5,029 |

## NOTE 16:- REVENUES (Cont.)

b. Geographical information:

Revenues classified by geographical destinations based on the end-user's location:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S. dollars in thousands | | |
| North America | 1,519 | 2,026 | 4,094 |
| Rest of the world (1) | 1,702 | 2,856 | 935 |
| | 3,221 | 4,882 | 5,029 |

(1) Asia Pacific, Europe, South America, Middle East and Australia.

The carrying amounts of non-current assets (property, plant and equipment, Right-of-use assets and intangible assets) based on the location of the assets are as follows:

| | December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S. dollars in thousands | | |
| Asia Pacific and rest of the world | 30 | 199 | 24 |
| North America | 1,097 | 1,262 | 1,110 |
| | 1,127 | 1,461 | 1,134 |

c. Information about major customers:

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Customer A | 14% | 13% | 23% |
| Customer B | 45% | 38% | 13% |
| Customer C | 23% | 27% | 18% |
| Customer D | 3% | 18% | 33% |

## NOTE 17:- EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **U.S. dollars in thousands** | | |
| Loss for the year | (2,180) | (1,448) | (1,007) |
| Share data (in thousands): | | | |
| Weighted average number of Ordinary shares for computing basic loss per share | 51,022(*) | 51,020(*) | 51,259(*) |
| Effect of dilution: | | | |
| Share options | (**) | (**) | (**) |
| Weighted average number of Ordinary shares adjusted for the effect of dilution | 51,022 | 51,020 | 51,259 |

*) Weighted average number of shares includes shares in respect of the Company's obligation to issue approximately 157,902 Ordinary shares to two officers of the Company in lieu of cash bonus – see Note 12a5.

Weighted average number of shares is net of 535,571 Ordinary shares of the Company held in treasury under the Repurchase Programme as described in Note 12f.

**) All share options are excluded from the calculation of diluted earnings per share because their effect on the calculation is antidilutive.

## NOTE 18:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S. dollars in thousands | | |
| a. Expenses to related party of a shareholder: | | | |
| Cost of revenues *) | 36 | 37 | 42 |
| Research and development *) | 13 | 14 | 6 |
| Selling and marketing *) | 17 | 15 | 17 |
| General and administration *) | 14 | 11 | 12 |
| | 80 | 77 | 77 |
| b. Balances to related party of a shareholder: | | | |
| Other accounts receivable and prepaid expenses *) | 3 | 3 | 3 |
| | 3 | 3 | 3 |

*) On February 9, 2016 the Company's subsidiary signed an office lease agreement for a period of 60 months commencing March 15, 2016 for annual rent of $75 thousand with TwoChi LLC, a company owned (directly and together with relatives) by Mr. Ami Vizer the Chief Executive Officer of the Company, a Director and a shareholder holding 22% of the issued share capital of the Company.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | U.S. dollars in thousands | | |
| b. Compensation of key management personnel of the Company: | | | |
| Non- Executive directors' benefits | 96 | 98 | 100 |
| Employee benefits *) | 1,742 | 1,573 | 1,540 |
| Share-based payments | 1 | **) - | 2 |
| | 1,839 | 1,671 | 1,642 |

*) Includes long-term employee benefits in the amount of $87 thousand, of $95 thousand and $ 67 thousand for the years ended December 31, 2020, 2019 and 2018, respectively.

Years 2020, 2019 and 2018 include bonus to EVP Business Development in the amount of $19 thousand, $ 32 thousand and $ 7 thousand, respectively.

Years 2020, 2019 and 2018 include bonus to VP R&D in the amount of $38 thousand, $ 13 thousand and $7 thousand, respectively.

Year 2018 include bonus provision to VP Products in the amount of $ 1 thousand.

**) Represents an amount lower than $ 1 thousand.

**NOTE 18:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)**

c. Balances with Directors and Officers:

The Company's liability balances to directors and officers as of December 31, 2020, 2019 and 2018 amount to $337 thousand, $ 312 thousand and $ 308 thousand; respectively, out of which, a total of $ 233 thousand, $ 188 thousand and $ 180 thousand is related to severance, vacation and recovery liabilities for key employees as of December 31, 2020, 2019 and 2018; respectively.

d. Compensation policy for the Company's Directors and Officers:

On November 24, 2013, the Company's Board of directors approved the adoption of a Compensation policy for the Company's Directors and officers (the "Compensation Policy Plan") as required by the Israeli Companies Law in order to provide the Company the ability to attract, retain, reward and motivate highly skilled Officers and to assure that the compensation structure meets the Company's interests and its overall financial and strategic objectives.

The Compensation policy for the Company's Directors and officers was approved at SimiGon Annual General Meeting for year 2013 held on December 30, 2013.

The Compensation Policy Plan has been re- approved on the Annual General Meeting held on December 29, 2016 and on the General Meeting held on April 16, 2020.

e. Agreement with CFO:

On February 26, 2015, the Board of Directors approved the grant of a one-time cash bonus to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2015 in accordance to the Company's Compensation Policy Plan mentioned above.

The granted bonus is in the amount of up to $ 35 thousand, subject to revenues, net profit and share price criteria and milestones. As of December 31, 2015, the Company has made a provision of $ 16 thousand in respect of its CFO annual bonus for year 2015. The actual bonus was paid on May 2016 and amounted to $ 16 thousand.

On April 14, 2016, the Board of Directors approved the grant of a one-time cash bonus to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2016 in accordance to the Company's Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $ 35 thousand, subject to revenues, net profit and share price criteria and milestones. On April 6, 2017 the Company's board of directors approved that the bonus was to be granted in shares calculated based on the closing price on the day of announcement of the Company's financial results for 2016. The grant of bonus in Ordinary Shares of the Company will also be subject to the approval of the Company's shareholders. For the year ended December 31, 2016, the Company recorded share based compensation of $ 9 thousand in respect of its CEO annual bonus for year 2016.

**NOTE 18:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)**

On September 8, 2017 the Company's shareholders approved the conversion of the 2016 annual cash bonuses to Mr. Efi Manea the Company's Chief Financial Officer and an executive director in a total amount of GBP £5,699, into the allotment of 32,564 Ordinary Shares of 0.01 par value of the Company, such shares to be issued under the Company's Employees' Share Option Plans. As of the date of the approval of the financial statements, the shares have not been issued yet.

In the annual meeting held on December 7, 2018, the shareholders approved an additional monthly compensation of $ 4,100 commencing August 1, 2017, to Mr. Efraim Manea, the Company's Chief Financial Officer who also serves as a director of the Company, for his relocation costs as part of his work for the Company’s subsidiary in the USA.

f. Significant agreements with shareholders:

On September 21, 2006, the Company signed an agreement with Mr. Ami Vizer, the Chief Executive Officer of the Company, according to which Mr. Ami Vizer is engaged with a current salary of $ 313 thousand per annum (excluding bonuses and benefits), terminable by either party on nine months' notice. In addition, pursuant to this agreement, Mr. Vizer received options.

On January 27, 2010, the Board of Directors approved an increase of 10% in his salary effective January 1, 2010.

On December 6, 2012, the Board of Directors approved a one-time cash bonus grant to Mr. Ami Vizer with respect to fiscal year 2011 in the amount of $ 30 thousand. It has also approved the grant of a one-time cash bonus to Mr. Ami Vizer with respect to fiscal years 2012 and 2013 in the amount of up to $ 125 thousand per year, subject to revenues, net profit and share price criteria and milestones (the "Conditions"). Based on the Conditions above, the Company recorded as of December 31, 2012, a provision of $ 114 thousand in respect to Mr. Ami Vizer bonus for year 2012. The actual bonus was paid on April 2013 amounted to $ 120 thousand.

On November 24, 2013, the Board of Directors approved the grant to Mr. Ami Vizer, the Company's Chief Executive Officer and executive director of a one-time cash bonus to with respect to fiscal year 2014 in accordance with the Company's Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $ 125 thousand, subject to revenues, net profit and share price criteria and milestones. On December 30, 2013 the Company's Annual General Meeting for year 2013, approved 2014 bonus grant to Mr. Ami Vizer. The actual bonus was paid on May 2015 and amounted to $ 80 thousand.

**NOTE 18:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)**

In the annual general meeting for year 2013 held on December 30, 2013, the shareholders, reapproved the employment agreement of Mr. Ami Vizer as the Company's Chief Executive Officer and an executive director.

On February 26 2015, the Board of Directors approved the grant to Mr. Ami Vizer, the Company's Chief Executive Officer and executive director of a one-time cash bonus to with respect to fiscal year 2015 in accordance with the Company's Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $ 125 thousand, subject to revenues, net profit and share price criteria and milestones. As of December 31, 2015, the Company has made a provision of $ 63 thousand in respect of Mr. Ami Vizer annual bonus for year 2015. The actual bonus was paid on May 2016 and amounted to $ 63 thousand.

Further to the approval of the Company's Board of Directors from November 24, 2015, on February 9, 2016 the Company's subsidiary signed an office lease agreement for a period of 60 months commencing March 15, 2016, with TwoChi LLC, a company owned (directly and together with relatives) by Mr. Ami Vizer the Chief Executive Officer of the Company, a Director and a shareholder holding 22% of the issued share capital of the Company. The total office lease costs in year 2018 amounted to $77 thousand.

On April 14, 2016, the Board of Directors approved the grant of a one-time cash bonus to Mr. Ami Vizer, a director of the Company and its CEO with respect to fiscal year 2016 in accordance to the Company's Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $ 125 thousand, subject to revenues, net profit and share price criteria and milestones.

On April 6, 2017 the Company's board of directors approved that the bonus was to be granted in Ordinary Shares of the Company calculated based on the closing price on the day of announcement of the Company's financial results for 2016 instead of being payable in cash. The grant of bonus in Ordinary Shares of the Company will also be subject to the approval of the Company's shareholders. For the year ended December 31, 2016, the Company recorded share-based compensation of $ 37 thousand in respect of its CEO annual bonus for year 2016.

On September 8, 2017 the Company's shareholders approved the conversion of the 2016 annual cash bonuses to Mr. Ami Vizer the Company's Chief Executive Officer and an executive director in a total amount of GBP £21,934, into the allotment of 125,338 Ordinary Shares of 0.01 par value of the Company, respectively, such shares to be issued under the Company's Employees' Share Option Plans. As of the date of the approval of the financial statements, the shares have not been issued yet.

Total salary including employer tax of Mr. Ami Vizer during year 2020 amounted to an annual salary of $ 360 thousand, annual social benefits of $ 43 thousand (12.5% of his annual salary), expenses allowance and car insurance of $ 9 thousand, recovery fees of $ 1 thousand, severance pay of $ 29 thousand, vacation days of $ 39 thousand and health insurance of $ 41 thousand.

## NOTE 19:- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital management:

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and sufficient capital in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Financial risks factors:

The Company's activities expose it to various financial risks such as market risk (including foreign exchange risk), credit risk and liquidity risk.

a. Foreign exchange risk:

The Company operates in a number of countries and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the NIS. As of December 31, 2018, balances in foreign currency are immaterial.

b. Credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term deposits, restricted cash, short-term investments, trade receivables and other accounts receivables.

Cash and cash equivalents, including restricted cash and short-term deposits, are invested in major banks in Israel and the United States. Management believes that the financial institutions that hold investments of the Company and its subsidiaries are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The Company trades only with creditworthy customers. The Company performs ongoing credit evaluation of its customer's financial condition and requires collateral as deemed necessary.

**NOTE 19:- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)**

The Company has no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

The Company has no significant concentrations of credit risk.

As of December 31, 2020 and 2019, cash and cash equivalents together with the Company's short-term bank deposits and short-term investments amounted to $4,947 thousand and $ 6,042 thousand, respectively.

c. Liquidity risk:

The table below presents the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

December 31, 2020:

| | Less than one year | Between 2 to 4 years | More than 4 years | Total |
|---|---|---|---|---|
| | U.S. dollars in thousands | | | |
| Bank Loan *) | 38 | 132 | 94 | 264 |
| Government grants | 27 | 82 | 631 | 740 |
| Lease liability | 123 | - | - | 123 |
| Trade payables | 138 | - | - | 138 |
| Other accounts payable and accrued expenses | 701 | - | - | 701 |
| | 1,027 | 214 | 725 | 1,966 |

*) including future interest

December 31, 2019:

| | Less than one year | Between 2 to 4 years | More than 4 years | Total |
|---|---|---|---|---|
| | U.S. dollars in thousands | | | |
| Government grants | 29 | 192 | 516 | 737 |
| Lease liability | 245 | 31 | | 276 |
| Trade payables | 86 | - | - | 86 |
| Other accounts payable and accrued expenses | 816 | - | - | 816 |
| | 1,173 | 227 | 516 | 1,929 |

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## SHARE INFORMATION

SimiGon is listed on the AIM. The shares of the Company are available through the Crest settlement system, enabling immediate, secured electronic trading and registration of shareholders' assets. Symbol: SIM Financial Year End: 31 December

## ADVISERS

### *Nominated Adviser and Broker*

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1 Bartholomew Close,
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### *Registrar*

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Queensway House
Hilgrove Street
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Jersey
JE1 1ES

### *Auditors and Reporting Accountants*

Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global
144 Menachem Begin St.
Tel-Aviv 6492102
Israel

### *Counsel of the Company*

18 Raoul Wallenberg St., Ramat Hachayal,
Tel Aviv 6971915,
Israel

## CONTACT INFORMATION

To request additional information about SimiGon and our products, please contact us by telephone, fax or e-mail:

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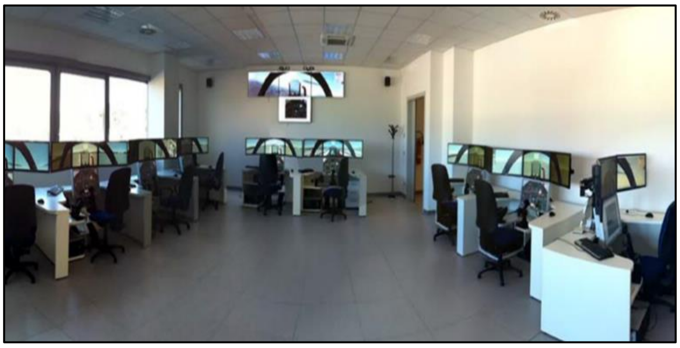





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