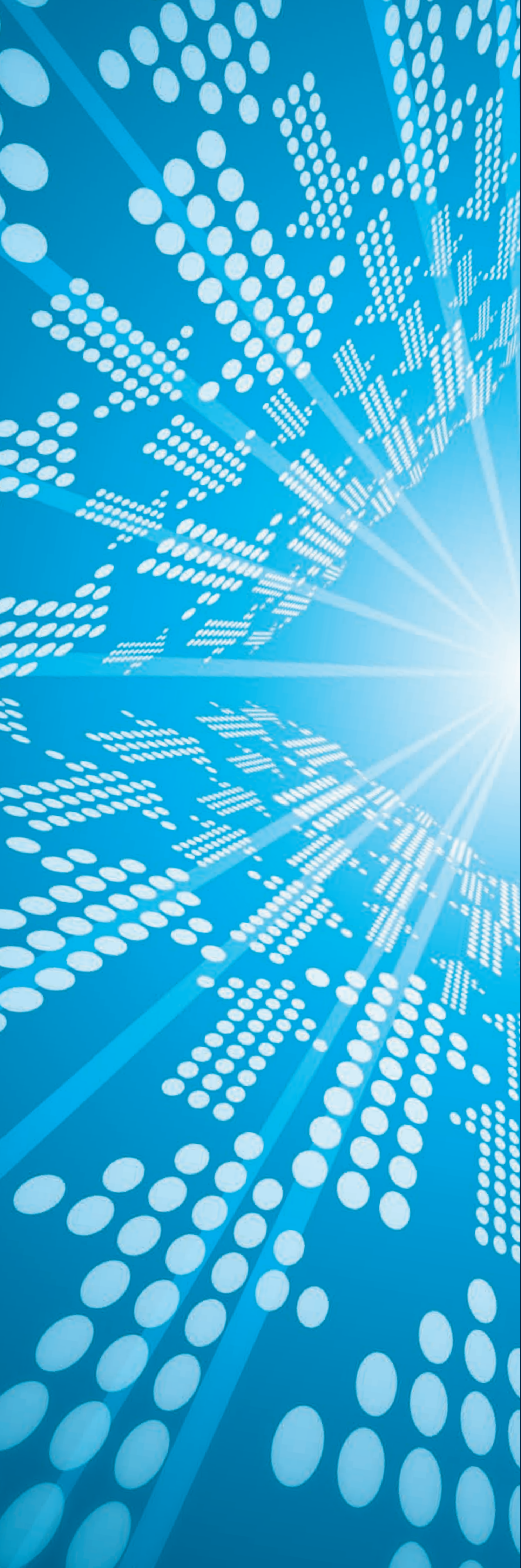

Annual Report 2010

Telit Communications PLC

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Introduction

Telit Communication PLC

Telit is a leading global wireless technology company. It develops, manufactures and markets GSM/GPRS, UMTS/HSPA, CDMA and short range RF (including WiFi and ZigBee) communication modules for machine-to-machine (m2m) applications. The Company's technology and products enable other electronic devices and equipment manufacturers to utilise cellular infrastructure to relay and accept information without human intervention. m2m applications therefore enable machines, devices and vehicles to communicate via wireless networks.

As both a producer and marketer of advanced cellular technology and products, Telit is uniquely positioned in the m2m market. Telit has attained a strong market position and its management believes it is ranked third in the world. Telit is one of the few companies in the industry with full control over the underlying technologies in its products. Telit owns valuable patents and boasts strong in-house technology and research and development expertise.

Telit is listed on AIM (Ticker: TCM).

What is m2m?

Machine to machine (m2m) technology establishes wireless communication between machines and the information centre of a business.

The goal of m2m is to enable applications that allow businesses to increase productivity and competitiveness.

At the heart of each m2m implementation is a communication module which receives, processes and transmits information.

The m2m Market

The international market for machine-to-machine (m2m) wireless communications is rapidly growing as wireless communications are now a must-have rather than a luxury technology. Businesses that were not interested in m2m wireless solutions in the past are now looking to incorporate this technology in their business as their operations expand and modernise.

Financial highlights

- Revenue increased by 48.2% to $131.7 million (2009: $88.8 million).
- Gross profit increased by 24.0% to $52.9 million (2009: $42.7 million)
- Operating profit for the year of $6.6 million (2009: operating loss of $3.0 million)
- EBITDA[1] for the year of $12.5 million (2009: $1.4 million)
- Adjusted EBITDA[1] for the year of $12.4 million (2009: $5.8 million)
- Profit before tax of $6.4 million (2009: loss of $4.1 million)
- Profit for the year of $8.4 million (2009: loss of $4.2 million)
- Net debt decreased to $7.2 million (2009: $10.4 million).

Operational highlights

- Strengthened position in Eastern Europe with an office opened in St Petersburg, Russia
- Continued strong growth in the Americas region
- Continued successful product development
- Completed unwinding of relationship with Bartolini After Market Electronic Services ("**BAMES**")
- Change in reporting currency from Euros to US dollars to fully reflect the core currency flow of the Group's global operations.

Acquisition

Telit makes an important step to substantially enhance its global position in the m2m market

- On 1 March 2011 Telit completed the acquisition of Motorola Solutions' m2m modules business and assets, including 33 employees who transferred to Telit. An additional 8 employees were hired in order to complete the structure necessary to support the acquired business.
- The acquisition would bring Telit's consolidated pro forma unaudited revenues to approximately $182 million for the year ended 31 December 2010. This is equivalent to a pro forma market share of the m2m market of approximately 20% based on current market analysis (Beecham Research Market Brief: Worldwide Cellular M2M Modules Forecast, August 2010).
- The Directors believe that the benefits to Telit of acquiring Motorola m2m include
    - further expansion into the growing m2m market;
    - opportunities for cross-selling of products and increased customer account development;

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortization and Adjusted EBITDA is defined as EBITDA excluding share based payments and non-recurring expenses and income

- enhanced research and development capabilities;
- a broadening of Telit's m2m product offering;
- enhancement of Motorola m2m’s products through Telit’s commitment to long-term product support; and
- other cost synergies (including procurement efficiencies and utilisation of lower manufacturing costs).

We live m2m

At the heart of Telit m2m solutions lies a proprietary software platform including a comprehensive AT-command interface for communication between applications and modules. Telit's wireless modules can be easily applied to vertical application areas such as:

- Automated Meter Reading
- Car Telematics
- Fleet Management and Tracking/Logistics
- Point of Sale Terminals/Handhelds
- Security Systems and Personal Tracking Devices
- Public Transportation and Road Tolling
- Vending Machines
- Mobile Computing (Mobile Workforce Automation)
- Industrial Processes
- Information Displays
- Healthcare
- Emergency Communication Systems

Telit Worldwide

Telit sells its products through a network of value added resellers to more than 3,000 communications solution providers and systems integrators in more than 50 countries around the world. Our customers are served both directly by us or through a global network of more than 30 distributors.

Telit's headquarters are in Rome, Italy, with regional headquarters in Raleigh NC, USA and Seoul, Korea. Its R&D centres are in Trieste and Cagliari, Italy, Seoul, Korea and Sofia Antipolis, France, with regional sales offices in Brazil, China, Denmark, France, Germany, Great Britain, India, Israel, Italy, Korea, Russia, Spain, the Republic of South Africa, Taiwan, Turkey and the USA. In 2010, Telit employed approximately 366 employees worldwide.

Telit provides global support to its international customers covering substantially all of the m2m market verticals. Its vast experience doing business across the globe has helped Telit establish strong channels and excellent access to key suppliers, customers and distributors in all major world markets. Telit's diverse worldwide customer base includes cellular operators and cellular distributors, as well as designers, manufacturers and system integrators of cellular m2m module-based applications.

Telit's Strategy

Our strategy for 2011 is to continue to leverage our position as a leading vendor in the m2m market, offering customers a competitive edge by reducing their total cost of ownership and optimizing the performance of their products. We plan on doing this through continued investment in R&D and building on the foundations laid by our regional operations to date. Through the acquisition of Motorola m2m we acquired relationships with strong global customers, mainly in the U.S. and the addition of Motorola m2m's line of products will enable us to service these customers and to offer our existing and acquired customers an even broader range of products.

Competitive Advantage

Based on its extensive R&D experience, gained through hundreds of engineering man-years, Telit has developed its own protocol stack as the technological basis of its solutions. This enables the Group to offer customers solutions ranging from complete devices to embedded products, including fitting its platform into its customers' products. Underpinning its rapid growth rate since it entered the m2m business in 2003, Telit has three major advantages:

1. **Flexibility:** Telit is the first and only m2m manufacturer that offers customers a form factor and family concept: all modules in a family have the same form factors and full software compatibility, but offer different functionality to meet the requirements of different vertical application segments - the same size, the same shape, the same connectors and the same software interface. The advantage for users is substantial: all modules in a product family are interchangeable. Above all, customers can easily replace the modules with successive products without changing the application. This reduces effort, time and costs associated with development. As a result, Telit is able to set itself apart from its competition, which often changes the size and shape of its modules with new models. Customers, however, need modules that can be used for many years in their applications.

2. **Scalability:** Telit's modules are tailored for various applications and different production lot sizes: for quantities of a few thousand units, Telit developed the GM family, which offers low outlay and costs for integration. For applications that are produced in the tens of thousands, low production costs are the prime concern. In this case customers can turn to the GE product range with its Ball Grid Array (BGA) assembly concept. Telit is the first company offering BGA modules, which can be assembled like electronic components and integrated easily into the production line - no connectors or cables are needed.

3. **Innovation**: Controlling its own intellectual property enables Telit to remain on the cutting edge of product innovation. Integrating GSM/GPRS, CDMA and UMTS technologies into its product family concept enables customers to choose between various technologies for each module-depending on the market in which their application is being used. The main advantage is that no changes are required to the application. Consequently, Telit supplies modules that can be used worldwide without restriction. As communication technologies, such as RFID and ZigBee enter the market, Telit will build on them to ensure its customers are at the cutting edge of m2m solutions.

CHAIRMAN’S STATEMENT
Enrico Testa, Chairman of the Board

2010 has been a year of recovery for the global economy, and the m2m market was no exception. Within this context, we have continued to focus on continued organic revenue growth which we have increased by 48.2% over 2009 revenues with significant improvements at operating and net profitability levels despite a decrease in the gross profit margin, resulting in a net profit of $8.4 million. The transfer of manufacturing to China was substantially completed by the beginning of 2010 and provided us with the competitiveness and flexibility necessary to support our continued revenue growth and continued increase in market share.

<u>Outlook</u>

We expect to continue with the organic growth in addition to the future growth expected from the acquisition of Motorola's m2m business unit, completed in Q1 2011, which will enable us also to improve our operating margins beyond what we achieved in 2010.

We look to 2011 and beyond with excitement, as we continue to gain market share in our bid to achieve our strategic goal - becoming the number 1 supplier to the m2m market.

<u>Board changes</u>

In June 2010 Michael Galai, Finance Director and General Counsel, stepped down from the Board of Directors due to an increased workload resulting from his other commitments. Mr. Galai remains VP Legal & General Counsel of the Company.

Also in June 2010, Mr. Yariv Dafna, the Company's CFO since 2007, was appointed to the Board of Directors. Mr. Dafna, aged 37, is a Certified Public Accountant (Israel).

In November 2010 Mr. Alexander P. Sator was nominated to the Board of Telit, replacing Mr. Massimo Testa, who resigned from the Board due to an increased workload from his other commitments. Mr. Sator, aged 40, was a co-founder of one of the first software companies in Germany in 1983. After a short career in the scientific industry he founded Sator Laser in 1996, which focused on the development of lasers and laser systems for industrial applications, soon becoming market leader for its specific field. In 2001 Domino Printing Services took a stake in this business and in 2005 Mr. Sator sold his remaining shares. Over the last two years Mr. Sator has been Strategy Advisor for the mobile business of Deutsche Telekom AG.

Enrico Testa
Chairman of the Board
31 March 2011

CHIEF EXECUTIVE'S STATEMENT AND REVIEW
Oozi Cats, Chief Executive Officer

INTRODUCTION

2010 has been another year of strong growth for Telit, as the m2m industry emerged with renewed strength from the economic downturn. Telit continued to gain market share and 2010 revenues represent about 16% market share based on the forecast size of the market in the Beecham report from August 2010[2]. During the year we achieved a revenue growth of 48.2%, an operating profit of $6.6 million and an increase of adjusted EBITDA[3] to $12.4 million (2009: $5.8 million). Following the minor increase of revenues from 2008 to 2009 (while the market itself decreased) our growth rate returned to the trend of previous years and our revenues grew at a rate above the market and our major competitors.

Below are the key financial figures for 2010 compared to 2009 (note that starting from 1 January 2010, Telit is reporting the results of its operations in US dollars. All comparative figures have been translated from Euros into US dollars):

	2010 *$'000*	**2009** *$'000*
Revenue	**131,678**	**88,838**
Gross profit	**52,924**	**42,681**
Gross margin	*40.2%*	*48.0%*
Other income	1,942	68
Research & Development	(17,606)	(15,140)
Selling & Marketing	(17,300)	(15,517)
General & Administrative	(12,500)	(11,293)
Other Expenses	(904)	(3,832)
EBIT	**6,556**	**(3,033)**
EBITDA	**12,528**	**1,438**
Adjusted EBITDA	**12,438**	**5,831**

[2] *Beecham Research Market Brief: Worldwide Cellular M2M Modules Forecast, August 2010*

3 *EBITDA is defined as earnings before interest, tax, depreciation and amortization and Adjusted EBITDA is defined as EBITDA excluding share based payments and non-recurring expenses and income.*

Effects of Foreign Exchange

38% of Telit's revenue in the period ended 31 December 2010 was generated in Euro (40% in 2009), with the remaining generated in, or linked to other currencies but mainly to U.S. dollar (USD). However, a substantial part of the Group's purchased materials cost was denominated in USD during the period.
Following the transfer of the majority of the Group's production to China in 2009 (purchasing in USD) Telit decided to change the reporting currency from Euro to USD starting from 1 January 2010.

This decision assists management to better manage the Company's currency exposure and is expected to lead to better reflect the currency environment of the Group operations. The management will continue to follow and monitor the currency risk on a quarterly basis and will take the necessary actions to limit these risks.

Financial Results

The indications we provided in our trading update on 20 January 2011 underline the strength of Telit's position in the global m2m market. The Company's results for 2010 show substantial growth in revenue with a continued improvement in the adjusted EBITDA and profit before tax.

The results for the year ended on 31 December 2010 reflect substantial like-for-like growth, strong margins and underlying sales momentum.

- Revenue increased by 48.2% to $131.7 million (2009: $88.8 million).
- Gross profit increased by 24.0% to $52.9 million (2009: $42.7 million)
- Operating profit for the year of $6.6 million (2009: operating loss of $3.0)
- EBITDA[4] for the year of $12.5 million (2009: $1.4 million)
- Adjusted EBITDA[4] for the year $12.4 million (2009: $5.8 million)
- Profit before tax of $6.4 million (2009: loss of $4.1 million)
- Profit for the year of $8.4 million (2009: loss of $4.2 million)
- Net debt decreased to $7.2 million (2009: $10.4 million).

This resulted in an operating profit for 2010 of $6.6 million, a significant improvement compared to a loss of $3.0 million in 2009 and a profit before tax of $6.4 million, compared to a loss before tax of $4.1 million in 2009.

Basic and diluted earnings per share from continuing operations were 11 cents and 10 cents respectively for the period compared to a loss of 10 cents per share in 2009.

[4] *EBITDA is defined as earnings before interest, tax, depreciation and amortization and Adjusted EBITDA is defined as EBITDA excluding share based payments and non-recurring expenses and income.*

Inventory levels as at 31 December 2010 were $17.1 million, compared to $8.7 as at 31 December 2009. The increase is mainly due to the shortage of components in late 2009 which resulted in lower than usual inventory levels at the end of 2009 while the 2010 inventory level is higher than usual due to the strong demand in 2010. The 2010 inventory level represents 75 days while the company target is to hold inventory at level of 45 days.

Net debt position

The Group continues to use cash in its operating activities, investing heavily in research and development as well as sales and marketing. Despite this, the Group has achieved net profitability in 2010 and the net debt position at the end of 2010 improved to $7.2 million (2009: net debt of $10.4 million).

	2010	**2009**
	$ ’000	**$’000**
Current borrowings (1)	14,917	22,161
Non-current borrowings (2)	7,365	4,598
Cash and cash equivalents	(13,521)	(11,378)
Restricted cash deposits	(1,546)	(4,979)
Total	**7,215**	**10,402**

(1) Included within current borrowings are:

- The short-term element of the preferential rate loan from the Ministry of Trade and Commerce in Italy, amounting to $1.0 million and a short-term element of other bank loans in the amount of $0.1 million.
- Drawn letters of credit and borrowings arising from invoice advances totalling $12.4 million
- Factoring facilities against qualifying receivables totalling $1.4 million. These borrowings are secured against the factored receivables and are with recourse to the company in the event that the receivables are not collected.

(2) Non-current borrowings include $7.0 million represents the long-term element of a preferential rate loan from the Ministry of Trade and Commerce in Italy provided in connection with the Group’s business development program in Sardinia. The loan denominated in Euro and attracts interest at a rate of 0.75% and is repayable in ten annual instalments that commenced on 20 March 2009.

The Directors believe, based on the past performance of the relevant subsidiaries and the history of the relationships with the lending banks, that the credit facilities will remain available to the Group in the foreseeable future and that the Group will be able to continue to fund its operations from these credit facilities.

Regional Information

In 2010, a rebound year, the Group increased its revenues by 48.2%. The split of revenue on a geographical basis for the years ended 31 December 2010 and 2009 is as follows:

	2010 ($'000)	**% of Total Revenue**	**2009 ($'000)**	**% of Total Revenue**
EMEA	76,529	58.1%	53,544	60.3%
APAC	21,167	16.1%	21,036	23.7%
AMERICAS	33,982	25.8%	14,258	16.0%
Total Revenue	**131,678**	**100%**	**88,838**	**100%**

We expect that the Americas and APAC regions will increase their weighting of total revenue in 2011 and beyond.

Employees

The number of employees of the Group on a geographical basis in 2010 and 2009 is as follows:

	2010	**2009**
EMEA	268	266
APAC	76	74
Americas	22	22
Total Employees	**366**	**362**

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance.

Market growth

Telit's future success is dependent in a large part on the continued growth in the overall size of the m2m market which is, in turn, a product of the number of m2m modules sold and the average selling price of an m2m module. A decline in either (i) the average selling price or the number of units sold which is not matched by a proportionate increase in the other, or (ii) a decline in both the average selling price and the number of units sold, would decrease Telit's addressable market and its growth opportunities.

Successful growth management

Telit’s future success will depend in part on its ability to manage its anticipated expansion. If Telit is unable to manage its expansion effectively, including through its control environment, then its business, financial condition and results of operations could suffer an adverse effect.

Telit’s strategy

The Group’s strategy carries inherent risks and there can be no guarantee that the objectives of the Group will be achieved.

Competition

Telit has experienced, and expects to continue to experience, strong competition from a number of companies. Telit’s competitors may announce or develop new products, services or enhancements that better meet the needs of customers or changing industry standards. Further, new competitors or alliances among competitors could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on Telit's business, financial condition and results of operations.

Some of Telit's competitors and potential competitors have significantly greater financial resources than Telit and have a larger installed base of products or longer operating histories. Telit's competitors may be able to respond more quickly than Telit can to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of its products.

Key management

Telit depends on the services of its key technical, sales, marketing and management personnel. The loss of the services of any of these persons could have a material adverse effect on Telit's business, results of operations and financial condition. Telit's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified technical, sales, marketing and management personnel in its various geographical locations. Competition for such personnel can be intense, and Telit cannot give assurances that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. Telit's inability to attract and retain the necessary technical, sales, marketing and management personnel may adversely affect its future growth and profitability.

Further details on the Directors and senior management may be found on pages 20 - 21 of this document.

Tax

- The Company is subject to the effect of future changes in tax legislation and practice in the United Kingdom and any other tax jurisdiction affecting the Company or any other company within its group and such changes could materially and adversely affect the the Company's ability to achieve its business objectives, decrease post-tax returns to Shareholders.
- As announced on 15 November 2010, the Company's Italian subsidiary, has received an assessment from the Italian tax authorities in the amount of approximately €2.7 million in connection with the 2005 tax year - the company is now in discussion with the tax authorities to settle this assessment.
- As disclosed in the Company's 2009 annual report, the Company's Israeli subsidiary, is subject to an assessment by the Israeli customs and sales tax authority in relation to custom duties payable in respect of imports into Israel. It is possible that any attempts to challenge these assessments will not prove successful, and that provisions made against the liabilities will prove to be insufficient, which in either case could have a material adverse effect on Telit's business, financial condition and results of operations.

Financing

Telit relies on recourse advances invoicing facilities to finance its working capital needs. There is a risk that this financing will cease to be available to the Group in the future, potentially at short notice. Should such finance cease to be available there is a risk that the Group may not be able to secure alternative financing. The lack of availability of such financing, without having alternative financing source, could have a material adverse effect on Telit's business, financial condition or results of operations.

Product lifespan, technological change and product development

The Group is in a market that sees continuous technological development. If competitors introduce new products that employ new technologies, or if new industry or government standards and practices emerge, Telit’s existing technology and systems may become obsolete. The future success of the Company will depend, inter alia, on Telit’s ability to:

- enhance its existing products and services;
- address the increasingly sophisticated and varied needs of its customers; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing Telit’s technology and product range entails significant technical and business risks. The Group may use or procure new technologies ineffectively or fail to adapt its systems to customer requirements or emerging industry standards. If Telit faces material delays in introducing new products, services or enhancements, it may be at a significant competitive disadvantage.

The markets for Telit's products and services are characterised by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. Changing customer requirements and the introduction of products embodying new technology and the emergence of new industry standards can render Telit's existing products obsolete and unmarketable and can exert downward pressures on the pricing of existing products. It is critical to the success of Telit to be able to anticipate changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. Telit cannot give assurances that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhancing existing products by others will not render Telit's products obsolete. Telit's inability to develop products that are competitive in technology and price and meet customer needs could have a material adverse effect on Telit's business, financial condition or results of operations.

The Group may need to incur substantial product development expenditure to keep pace and ensure compatibility with new technology in its target markets. If Telit fails to develop and introduce new products, services or enhancements on a timely basis, its products and services may no longer be acceptable in the marketplace and Telit may be unable to attract new customers or retain existing customers.

Additionally, as is normal in the software and hardware industry, Telit has in the past experienced delays in the development, introduction and marketing of new or enhanced products, and there can be no assurance that Telit will not experience similar delays in the future. Any significant delays in product development or introduction could have a material adverse effect on Telit’s business, financial condition and results of operations.

Dependence upon key intellectual property and risk of infringement

Telit's success depends in part on its ability to protect its rights in its intellectual property. Telit relies upon various intellectual property protections, including patents, copyright, trade-marks, trade secrets and contractual provisions to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use Telit's intellectual property without its authorisation.

Policing unauthorised use of intellectual property is difficult and some foreign laws do not protect proprietary rights to the same extent as the laws of the United Kingdom. To protect Telit's intellectual property, Telit may become involved in litigation, which could result in substantial expenses, divert the attention of its management, cause significant delays, materially disrupt the conduct of Telit's business or adversely affect its revenue, financial condition or results of operations.

The industry in which the Group operates has many participants that own, or claim to own, proprietary intellectual property. In the past the Group has received, and in the future may receive assertions or claims from third parties alleging that the Group's products violate or infringe their intellectual property rights. The Group may be subject to these claims directly or through indemnities against these claims which the Group has provided to certain customers. Rights to intellectual property can be difficult to verify and litigation may be necessary to establish whether or not we have infringed the intellectual property rights of others. In many cases, these third parties may be companies with substantially greater resources than the Group, and they may be able to, and may choose to, pursue complex litigation to a greater degree than the Group could. Regardless of whether these infringement claims have merit or not, the Group may be subject to the following:

- the Group may be liable for potentially substantial damages, liabilities and litigation costs, including legal fees;
- the Group may be prohibited from further use of the intellectual property and may be required to cease selling its products that are subject to the claim;
- the Group may have to license the third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that the Group will be able to successfully negotiate and obtain such a license from the third party;
- the Group may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that the Group will be able to develop such a non-infringing alternative;
- the diversion of management’s attention and resources;
- the Group's relationships with customers may be adversely affected; and
- the Group may be required to indemnify its customers for certain costs and damages they incur in such a claim.

In the event of an unfavourable outcome in such a claim and the Group's inability to either obtain a license from the third party or develop a non-infringing alternative, then the Group's business, operating results and financial condition may be materially adversely affected and the Group may have to restructure its business.

Strategic partnerships

Part of Telit’s strategy is to leverage its relationships with strategic and manufacturing partners. There can be no guarantee that Telit will be able to enter into further strategic alliances or partnership arrangements, or that potential and existing partners will not enter into relationships with competitors. The Group’s failure to establish further strategic alliances or the loss of existing partners could have a material adverse effect on its business and financial condition.

Government and legislative change

There may be changes in future government policy in relation to mobile and wireless telecommunications which may have a material effect on Telit’s business.

Further issues of Ordinary Shares

It may be desirable for the Company to raise additional capital by way of a fresh issue of Ordinary Shares to enable the Group to progress through further stages of development. Any additional equity financing may be dilutive to Shareholders. There can be no assurance that such funding, if required, will be available to the Company.

Non-applicability of the City Code

The Company is not subject to the City Code as the place of central management and control of the Company is currently located outside of the UK, the Channel Islands and the Isle of Man. The Panel on Takeovers and Mergers does not regard the Company as resident in the UK, the Channel Islands of the Isle of Man and therefore, Rule 9 of the City Code (which requires a shareholder acquiring shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 percent or more of the voting rights of a company to make a mandatory offer for all remaining equity capital of the company) does not apply. Accordingly, a takeover of the Company would not be regulated by The Panel on Takeovers and Mergers.

System failures and breaches of security

The successful operation of Telit's business depends upon maintaining the integrity of Telit's computer, communication and information technology systems. However, these systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond Telit's control. Any such damage or interruption could cause significant disruption to the operations of Telit. This could be harmful to Telit's business, financial condition and reputation and could deter current or potential customers from using its services. There can be no guarantee that Telit's security measures in relation to its computer, communication and information systems will protect it from all potential breaches of security, and any such breach of security could have an adverse effect on Telit's business, results of operations or financial condition.

Foreign Exchange

Most of Telit’s revenues and expenses are denominated in either USD or Euros. As a result, fluctuations in the exchange rate between either USD or the Euro can have a material impact on Telit’s financial results.

Strategy

Our strategy for 2011 is to continue to leverage our position as a leading player in the m2m market, offering customers a competitive edge by reducing their total cost of ownership and optimizing the performance of their products. We plan on doing this through continued investment in R&D, through our Infinita services and the integration of cellular and short range technologies into a complete m2m offering. The strengthening of our competitive edge and continued acquisition of market share will be supported, to a large degree, by the cost reduction achieved by the move of manufacturing to China in the second half of 2009.

This strategy takes advantage of key trends in the m2m market:

- The performance trajectory offered by many of the m2m module manufacturers overshoots the needs of the average customer, resulting in feature-rich, expensive products that deliver inferior returns on investment;
- The inability of many module manufacturers to meet the demands of early adopters due to the fact that they do not control the protocol stack required for customized product modifications; and
- Diversification of technology and increasing requirements for combined solutions based on cellular and short range technologies.

To execute our strategy, Telit relies on three core competencies that differentiate it from the competition:

- Complete Control of the Protocol Stack: Telit owns and develops the Protocol Stack in its modules. The Protocol Stack controls all connectivity and communication with the GSM network and is a critical success factor in being able to offer customers the flexibility required for rolling out cost-effective m2m solutions.
- Commitment to Customer-Driven Innovation: Telit’s comprehensive expertise in R&D enables it to help its customers win new business by working with them to develop the most innovative, cost-effective m2m applications.
- Multinational Organization Staffed with Industry Experts: Telit’s R&D and Sales and Marketing units are a team of dynamic experts with proven industry experience in the m2m and semiconductor industry.

ACQUISITION OF MOTOROLA M2M

On 1 March 2011 Telit completed the acquisition of Motorola m2m from Motorola Israel Ltd., a subsidiary of Motorola Solutions, Inc. A detailed description of the transaction was provided to our shareholders in the circular that was posted on 28 January 2011, ahead of the shareholders meeting that took place on 16 February 2011. The highlights of this transaction are as follows:

Terms of the Acquisition

Under the terms of the APA, Telit Wireless Solutions Ltd. acquired Motorola m2m, for an aggregate purchase price of $22.5 million. The assets and liabilities include:

- all rights relating to the existing product portfolio and customer database of the business;
- other assets related to the business including equipment, inventory and trade account receivables;
- warranty liability in relation to products already sold by the business (such warranties typically having a duration of 15 months);
- a perpetual licence of a certain Motorola software (known as P2K) used across some of the product portfolio (entered into with Motorola Mobility, Inc.); and
- 33 employees. A majority of the employees are located in Israel, with the remaining employees located in the U.S., the U.K., Germany, Brazil and Singapore. An additional 8 employees were hired in order to complete the structure necessary to support the acquired business.

Information on Motorola m2m

Motorola m2m specialises in the design, development, integration, evaluation and deployment of m2m applications worldwide and offers a variety of m2m modules for wireless technologies such as GSM/GPRS, CDMA and WCDMA.

Motorola m2m has more than 100 customers and distributors globally, and has developed partnerships with telecommunications carriers throughout the world.

Motorola m2m's headquarters are in Tel-Aviv, Israel, while manufacturing of its products is undertaken in Israel, China and Brazil. The business has not been operated as a standalone entity and has been dependent on the provision of centralised services from Motorola.

Unaudited accounting information provided by Motorola indicates that Motorola m2m's estimated financial performance on a standalone basis over the past four years is as stated below.

$m	**2007**	**2008**	**2009**	**2010**
Revenue	71.7	75.8	43.5	50.1
Gross Profit	23.2	19.7	9.4	10.2

An analysis of Motorola m2m's sales for the year ending 31 December 2010 indicates that the top ten customers contributed approximately 70% of revenues.

Rationale for the acquisition

The Directors believe that the benefits to Telit of acquiring Motorola m2m include:

- further expansion into the growing m2m market;
- opportunities for cross-selling of products and increased customer account development;
- enhanced research and development capabilities;
- a broadening of Telit's m2m product offering;
- enhancement of Motorola m2m's products through Telit's commitment to long-term product support; and
- other cost synergies (including through procurement efficiencies and utilisation of lower manufacturing costs).

Based on Telit's revenues for the year ended 31 December 2010 and information provided to the Directors by Motorola, the combined business would have had consolidated pro forma unaudited revenues of approximately $182 million in 2010. Based on independent market forecasts, it is estimated that the combined business therefore would have had pro forma market share of approximately 20% for the year ended 31 December 2010. The Directors believe that the acquisition will enhance Company earnings in the first year of ownership (excluding amortisation of Group's intangibles acquired).

Unwinding of Relationship with BAMES

In July 2010 the Company completed an agreement with Bartolini After Market Electronics Services s.r.l. ("BAMES"), whereby it acquired from BAMES its 10 per cent. of the ordinary shares in Telit Wireless Solutions s.r.l ("**Telit srl**"), subsequently owning 100 per cent of the ordinary shares in Telit s.r.l. and the cross-holdings between the two groups ended.

By way of consideration for the shares in Telit srl, Telit transferred to BAMES its stake in BAMES' subsidiary, Services for Electronic Manufacturing Srl ("**SEM**"), being 19.9 per cent of the corporate capital of SEM.

In addition, Telit allotted to BAMES 2,700,000 ordinary shares of Telit. The Parties further agreed that -

- If, as of 1 February 2011, the value of the 2,700,000 Telit shares is less than €1.5 million, Telit will pay a further amount in cash to bring this element of the consideration to €1.5 million.
- If, on that date, the value of these shares is greater than €1.5 million, Bames will pay Telit 50% of amount from €1,500,001 and €2,500,000 and 100% of the amount above €2,500,000, as applicable.

In 2010, based on the mechanism described above, Telit recorded a gain from fair valuation of a financial instrument of $1.2 million and in February 2011 an amount of $571 thousands was paid to Telit, after BAMES sold the shares.

Outlook

The outlook for the rest of 2011 and the future looks very positive for the m2m industry as a whole and for Telit in particular. While our marketplace has returned to the robust growth rate it experienced before the economic downturn, competition has remained strong. We believe we are well positioned to take advantage of the opportunities ahead and believe that the acquisition of Motorola m2m will strengthen our strong position within our industry and we look forward to continued business expansion. We are constantly seeking further expansion opportunities through new technologies or by gaining access to new territories and new market segments.

Telit's management's main focus is, and will continue to be, to expand and strengthen our position as one of the world's premier m2m technology providers. We will focus strongly on providing the customers of the acquired Motorola m2m business with the excellent technical and other support that our own customers have come to expect of us, and intend to maintain Motorola m2m's product line as previously planned by Motorola m2m (i.e., no unplanned end of life of Motorola products), to minimize the disruption to the business of the acquired customers

The hard work and dedication of Telit's staff across the globe is and will continue to be crucial to Telit's success. I would like to thank the Company's management team and all employees for their continued commitment to the Company and its success. Their dedication is an invaluable asset, indeed the core asset of the company. I would also like to welcome the employees of Motorola m2m into the Telit family.

At the end of this period I very much hope that it is apparent that all the efforts we have invested and are still investing have created a solid business platform, from which our customers, shareholders and other stakeholders can benefit.

Telit intends to continue to take advantage of the considerable opportunities arising in this growing global market. I look forward to providing further news of the Group's progress over the coming months.

Oozi Cats
Chief Executive Officer
31 March 2011

Telit's Board of Directors

Enrico Testa, Executive Chairman of the Board, aged 60

Between 1996 and 2002 Enrico Testa was Chairman of the Board at ENEL S.p.A. (the Italian provider of power and gas) and founder and member of the Board of Directors at WIND S.p.A. Mr. Testa is currently a managing director of Rothschild S.p.A,. Between 2004 and 2009 Mr. Testa was Executive President at Roma Metropolitane S.p.A (the company realizing the new Underground lines in Rome), Chairman of the Organizing Committee of the 20th World Energy Congress and Senior Partner at Franco Bernabè Group, which owns several companies in the IT sector.

Oozi Cats, Chief Executive Officer of Telit Communications, aged 51

An experienced CEO and entrepreneur, Oozi Cats, in 2000, was the founder of a communications engineering and distribution company (Dai Telecom Ltd) in Israel. In 2002 he led the takeover of Telit in Italy and its subsequent transformation into a global player in the m2m market. The complex turnaround program included strategic redefinition, financial restructuring, and human resource reorganization. Headed by Mr. Cats as CEO, Telit was listed in the London Stock Exchange in April 2005. Prior to his role at Telit, Mr. Cats was the founder and CEO of Auto Depot Ltd, an Israeli mass merchandising chain for vehicle supplies and services.

Yariv Dafna, Chief Financial Officer of Telit Communications, aged 37

Yariv Dafna has held the position of CFO of the Telit Wireless Solutions business unit (TWS) since June 2006 and was actively involved in the purchase of the m2m division of Bellwave (currently named Telit APAC) and the set up of Telit Americas. Prior to his current position, from 2003 to 2006, he was a financial manager at Dai Telecom Ltd and took an active role in Telit's IPO on AIM in 2005. Yariv holds a BA in Business Administration and Accounting from the College of Management Academic Studies (Rishon LeZion, Israel), and is a Certified Public Accountant. He originally trained as an accountant at Brightman Almagor (Deloitte's Israeli affiliate) between 1999 and 2000 and he then became a senior auditor and Audit manager in the TMT audit team until 2003.

Andrea Giorgio Mandel-Martello, Independent Non Executive Director, aged 53

Andrea Giorgio Mandel-Mantello is the founding partner of AdviCorp PLC, a UK investment bank regulated by the UK Financial Services Authority. Prior to his work at AdviCorp, Mr. Mandel-Martello spent 9 years at SBC Warburg ("SBCW" now known as UBS) in London in various management positions including Executive Director of SBC Warburg, member of the Board of SBC Warburg Italia SIM S.p.A., and Country Head for Israel. Prior to working at SBCW, Mr. Mandel-Martello spent two years at Chemical Bank International Limited in London and three years at Banca Nazionale dell'Agricoltura in Rome. Mr. Mandel-Martello is a director of Coraline S.p.A., a company which has recently acquired the business of Frette S.p.A., Italy's leading producer and retailer of home wear; he is a director of MOTO S.p.A. a joint venture in the motorway restaurants business between Compass Group PLC and Cremonini S.p.A.; he is a director of B.O.S. Better On Line systems, a Nasdaq listed Israeli company involved in VoIP and enterprise solutions. He holds a Bachelor degree in Economics and Political Science from Yale University.

Amir Scharf, Independent Non-Executive Director and Chairman of the Audit Committee of Telit, aged 45

Amir Scharf is a Partner and Head of Securities Law practice at Tadmor & Co., Attorneys at Law, in Tel Aviv. He is also a Director and Chairman of the audit committee at Analyst I.M.S. Investment Management Services Ltd., a full service investment house traded on the Tel Aviv Stock Exchange. Before joining Tadmor & Co. he was the General Counsel and Corporate Secretary of El Al Israel Airlines Ltd., and before that he served as Deputy Director of the Legal Department of the Israeli Securities Authority. In 2004 - 2006 he served as a member of The "Goshen Committee", the public committee for setting an Israeli Corporate Governance code. Mr. Scharf was also a director of Superstar Holidays Limited in the UK between 2005 and 2006.

Alexander P. Sator, aged 40

Mr. Sator, aged 40, was a co-founder of one of the first software companies in Germany in 1983, while still in his teens. After a short career in the scientific industry he founded Sator Laser in 1996, which focused on the development of lasers and laser systems for industrial applications, soon becoming market leader for its specific field. In 2001 Domino Printing Services took a stake in this business and in 2005 Mr. Sator sold his remaining shares. Over the last two years Mr. Sator has been Strategy Advisor to Deutsche Telekom AG for the mobile business.

Corporate Governance

Directors

The Board of Directors comprises three Executive Directors, two independent Non-executive Directors, and one Non-executive Director.

The Board generally meets a minimum of once every quarter and receives a Board pack comprising a report from senior management together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of expenditure and acquisitions**.**

Audit Committee

The Audit Committee consists of Amir Scharf, Chairman, and Andrea Mandel-Mantello, the independent non-executive directors, and meets at least once every quarter. Yariv Dafna, the CFO, and Michael Galai, General Counsel, attend each meeting by invitation. The Audit Committee is primarily responsible for considering reports from the Finance Director on the half year and annual financial statements, and for reviewing reports from the auditors on the scope and outcome of the annual audit. The financial statements are reviewed in the light of these reports and the results of the review reported to the Board.

Remuneration Committee

The Remuneration Committee consists of Andrea Mandel-Mantello, Chairman, Amir Scharf and Alexander Sator (having replaced Enrico Testa in 2011), and meets at least once a year. The Remuneration Committee has a primary responsibility to review the performance of the Company's executive directors and to set their remuneration and other terms of employment. The Remuneration Committee is also responsible for administering the employee share option scheme.

Shareholder relations

The Company meets with its institutional shareholders and analysts from time to time and uses the Annual General Meeting to encourage communication with private shareholders. In addition, the Company intends to facilitate communication with shareholders via the annual report and accounts, interim statement, press releases as required during the ordinary course of business and the Company web site (www.telit.com).

Financial performance

A 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 on a quarterly basis and discussed at each meeting of the Board.

Going concern

After making enquiries at the time of approving the accounts, the directors have satisfied themselves that there is a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the financial statements are prepared on a going concern basis. Further information in respect of the Directors' consideration of going concern is included in note 1(b) to the financial statements.

Directors share dealings

The Company has adopted a code for dealings in its shares by Directors and senior employees which is appropriate for an AIM-quoted company.

On behalf of the Board

Yariv Dafna

Chief Financial Officer

31 March 2011

Report on Directors' Remuneration

This Report has been approved by the Board together with the financial statements for 2010.

The remuneration committee is chaired by Andrea Mandel-Mantello and also comprises Amir Scharf and Alexander Sator.

REMUNERATION POLICY

The remuneration packages of directors and senior managers are structured so as to reward them on the basis of their responsibilities and achievements, and to encourage them to remain with the Company for the long-term benefit of shareholders. The main components of these remuneration packages are:

- **Basic salary:** An individual's salary is reviewed and determined by the committee, taking into account his additional incentives and to align their interests within the Group.
- **Service contracts:** No service contracts have notice periods of more than six months.
- **Bonus arrangements:** The Company operates a discretionary bonus scheme and the directors have a right to participate in any bonus arrangement. The Remuneration Committee will determine bonuses for executive directors.
- **Pension arrangements:** None of the directors receive any pension benefits, except for Oozi Cats and Yariv Dafna, who are entitled to post employment benefits including pension fund benefits according to their employment agreements, as is customary in Italy.
- **Share options:** The executive directors have been granted share options as described in the directors' report below. The share options are subject to time-based vesting conditions to incentivise medium-term performance and assist in retention. None of the group's share option schemes are subject to performance conditions.

The services of the directors are provided to the Group as follows:

Enrico Testa was appointed as a director and Chairman of the Board on 4 May 2007.

Oozi Cats is engaged pursuant to a letter of appointment with the Company dated 29 March 2005, terminable by either the Company or the director on six months' notice except in certain specific circumstances where short notice can be given by the Company. In addition, since 1 October 2007 Mr. Cats has been employed by Telit Italy. in an executive position. Mr. Cats' remuneration from Telit Wireless Solutions Srl. includes his remuneration under the service agreement with the Company. In addition to his salary, Mr. Cats is entitled to an annual bonus equal to 3% of the Group's consolidated annual profit before tax.

Andrea Mandel Mantello was appointed pursuant to a letter of appointment with the Company dated 29 March 2005, terminable on 6 months rolling notice.

Michael Galai was appointed as the Finance Director on 13 September 2007 and resigned in 30 June 2010, returning to his previous position of VP Legal & General Counsel.

Yariv Dafna was appointed as the group CFO in February 2007 and joined the board on 30 June 2010, replacing Mr. Galai as Finance Director.

Amir Scharf was appointed as a director on 22 August 2007.

Massimo Testa was appointed as a director on 13 February 2009 and resigned on 5 November 2010.

Alexander P. Sator was appointed as a director on 5 November 2010, replacing Mr. Massimo Testa.

The emoluments in respect of the year ended 31 December 2010 for the Directors who held office during the year were as follows:

	Salary and fees	**Benefit in kind**	**Annual bonus**	**Post employment benefits**	**Total 2010**	**Total 2009** [1]
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Enrico Testa	123	26	-	-	149	216
Oozi Cats	926	52	591	115	1,684	1,097
Michael Galai [2]	59	9	64	17	149	173
Yariv Dafna [3]	115	13	-	30	158	-
Non-executive directors						
Andrea Mandel-Mantello [4]	49	-	-	-	49	49
Amir Scharf	49	-	-	-	49	49
Massimo Testa [2]	41	-	-	-	41	43
Alexander P. Sator [3]	8	-	-	-	8	-
Total - 2010	**1,370**	**100**	**655**	**162**	**2,287**	
Total - 2009 [1]	**1,357**	**164**		**106**		**1,627**

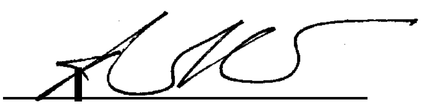
1 2009 figures were translated from Euro to USD.
2 Up to the date of resignation.
3 From Date of appointment
4 Amounts in respect of the services of Andrea Mandel-Mantello are paid directly to Advicorp plc, a company under his joint control.

Directors' Interests in Shares and Share Options

The directors' interests in shares in the Company are detailed in the table below:

	At 31 December 2010		At 31 December 2009	
Directors	**Number of ordinary shares**	**Percentage of ordinary share capital**	**Number of ordinary shares**	**Percentage of ordinary share capital**
Oozi Cats[1]	19,960,357	25.87	20,283,357	27.97
Massimo Testa[2]	-	-	20,283,357	27.97
Enrico Testa[3]	19,960,357	25.87	20,283,357	27.97
Alexander P. Sator[4]	5,555,742	7.20	nil	-
Yariv Dafna	50,000	0.06	50,000	0.07
Amir Scharf	nil	-	nil	-
Andrea Mandel- Mantello	nil	-	nil	-
Michael Galai[5]	nil	-	nil	-

1. Mr. Cats directly holds 3,110,357 shares. In addition, Mr. Cats owns 50% of Boostt B.V. ("**Boostt**"), which holds 15,600,000 shares. Boostt's corporate parents, Techvisory S.A. and Wireless Solutions Management SL (together: "**Techvisory**") hold an additional 1,250,000 shares. Mr. Cats and Techvisory have subscribed to certain voting understandings. Therefore, Mr. Cats is deemed to be interested in all of Boostt's holdings, as well as all of Techvisory's holdings.
2. Mr. Massimo Testa is a shareholder of Techvisory and therefore the Company considered him to be interested in the same amount of shares as Messers Oozi Cats and Enrico Testa, during his tenure as a director. Mr. Massimo Testa also personally held during his tenure as director 323,000 shares of the Company and Messers. Oozi Cats and Enrico Testa were considered as having an interest in these shares as well during that time.
3. Mr. Enrico Testa is an interested party in Techvisory and Boostt, by virtue of his holding office therein. Therefore, Mr. Testa is deemed to be interested in all of Boostt's and Techvisory's holdings, as well as all of Mr. Cats' and Mr. Massimo Testa's holdings (during his tenure as director).
4. Mr. Sator is the controlling shareholder of Sapfi Kapital Management GmbH, which holds 5,555,742 shares and is therefore considered as having an interest in these shares.
5. Resigned as director during the year.



Andrea Mandel-Mantello
Chairman of the Remuneration Committee
31 March 2011

Directors' Report

The directors present their annual report and the financial statements of the Group for the year ended 31 December 2010.

Principal Activities

Telit is a leading global company in the field of machine-to-machine (m2m) communications.

Telit develops, manufactures and markets communication modules which enable machines, devices and vehicles to communicate via cellular wireless networks. It is the market leader in CDMA m2m modules in South Korea and the third largest company in the GSM/GPRS m2m modules' business in Europe, Middle East and Africa (EMEA).

Telit’s core strengths are innovative products, complete control over its intellectual property and its flexible, customised solutions, which enable it to offer customers the lowest cost of ownership and a future-proof product roadmap.

Review of Business and Future Developments

A review of business, financial position, liquidity and future developments is given within the Chief Executive Officer’s statement on pages 7 to 19, together with a review of the Group’s principal risks and uncertainties.

Share Options

On 29 January 2009 executives, employees and consultants of the Company and its subsidiaries were granted 6,407,000 options to purchase approximately 14.4 percent of the Company's issued and outstanding shares at the time, at an exercise price of £0.20 per share. The options vest in two or three equal annual installments starting from 29 January 2009 and expire five years from the date of grant.

On 25 May 2010 executives, employees and consultants of the Company and its subsidiaries were granted 2,201,000 options to purchase approximately 3.0 percent of the Company's issued and outstanding shares at the time, at an exercise price of £0.25 per share. The options vest in three equal annual installments starting from 25 May 2011 and expire five years from the date of grant.

On 30 June 2010 executives, employees and consultants of the Company and its subsidiaries were granted 2,704,000 options to purchase approximately 3.6 percent of the Company's issued and outstanding shares at the time, at an exercise price of £0.32 per share. The options vest in three equal annual installments starting from 30 June 2011 and expire five years from the date of grant.

The number of outstanding options as at 31 December 2010 was 10,764,458, equal to approximately 13.95% of the outstanding share capital of the Company on said date, and 12.24% on a fully diluted basis.

Research and Development Activities

The Group has made, and expects to continue making in the future, significant investments in research and development ("R&D") in order to invest in products aimed at achieving a steady pipeline of orders from customers in the coming years. R&D costs of $17.6 million were expensed in the year, compared to $15.1million in 2009. Internally-generated intangible assets arising from development costs capitalized amounted to $3.0 million. For additional details please see the Chief Executive Officer's statement and note 1(ab) to the financial statements.

Use of Financial Instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to financial risks are disclosed within note 28 to the financial statements.

Donations

The Group made no charitable or political donations during the year ended 31 December 2010 (2009 - $nil).

Dividends

The Company is unable to pay a dividend in respect of the period (2009: $ nil).

Directors

The following directors have held office during the year and subsequently:

Enrico Testa	
Oozi Cats	
Michael Galai	(resigned on 30 June 2010)
Yariv Dafna	(appointed on 30 June 2010)
Amir Scharf	
Andrea Mandel-Mantello	
Massimo Testa	(resigned on 5 November 2010)
Alexander P. Sator	(appointed on 5 November 2010)

Directors' Indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors in respect of their roles as directors of the company and, where applicable, as directors or senior employees of subsidiary undertakings, which were made during 2007 and remain in force at the date of this report.

Arrangements relating to shares held by Boostt B.V.

Boostt is currently (31 March 2011) interested in 19,960,357 Ordinary Shares in aggregate (being approximately 19.75% of the Existing Ordinary Shares). Boostt has entered into financing arrangements in relation to the Ordinary Shares held by it, such arrangements as at the date of this annual report being as summarised below. Announcements will be made by the Company as appropriate when it is notified by Boostt of any change in these arrangements.

As previously announced by the Company, on 16 April 2007 Boostt entered into an agreement with Polar Investments Limited ("**Polar**") (the "**Boostt Share Purchase Agreement**") pursuant to which it purchased 12 million Ordinary Shares from Polar, which was at the time the controlling shareholder of the Company. Pursuant to the Boostt Share Purchase Agreement, 50% of the consideration was paid by Boostt immediately, and the remaining 50% was to be paid in six equal interest-bearing instalments beginning in November 2009 and every six months thereafter, with the interest being payable every six months beginning from 4 November 2007. 6 million Ordinary Shares were transferred to Boostt by Polar in May 2007 and 6 million were charged in favour of Polar and placed in escrow (the "**Escrow Shares**"), to be released to Boostt in proportion to the payment of the instalments or to Polar, in the event that the instalments were not paid. Subject to the escrow arrangements, and according to the provisions of the Boostt Share Purchase Agreement, Boostt has, from 16 April 2007, been entitled to exercise all rights attaching to all of the 12 million Ordinary Shares purchased, including but not limited to the rights to nominate directors, voting rights and the right to participate in dividends and other distributions.

Shares held in escrow

As at the date of this document, 6 million Ordinary Shares remain in escrow pursuant to these arrangements. In July 2010, Boostt and Polar agreed a change in the terms of payment under the Boostt Share Purchase Agreement, pursuant to which it is provided that the consideration due from Boostt is to be settled in full by no later that 1 July 2011 and that upon such settlement the Escrow Shares will be released from Escrow. If settlement is not made by 1 July 2011, then Polar will be entitled to enforce its security and take a transfer of the Escrow Shares.

Shares charged to related parties of Boostt

Telit announced on 24 April 2009 that it had been notified that Boostt had granted a charge in favour of Boostt's shareholders over 6 million of the Ordinary Shares held by it (the "**Charged Shares**"). The charge was granted because Boostt's shareholders had financed the purchase of the Charged Shares.

Since 10 December 2010, Boostt has charged a further 3,000,000 of its Ordinary Shares to related parties of Boostt in order to secure certain funding used to repay part of the loan noted below.

Shares charged in favour of a third party finance provider

As previously announced by the Company, Boostt subscribed for, in aggregate, 3.5 million further Ordinary Shares in July 2009 and December 2009. Boostt has since notified Telit that it secured a bank loan of €0.9 million in order to fund these subscriptions, and secured this financing by charging 9.6 million Ordinary Shares (being all of the Ordinary Shares (including the Charged Shares) held directly by Boostt except for the Escrow Shares) to the bank. This charge has since been partially released in relation to 3 million Ordinary Shares as a result of the part repayment noted above. 6.6 million of the Charged Shares accordingly remain subject to charges in favour of both the shareholders of Boostt and a third party lender.

Details of directors' share options are provided below:

	Existing on 1.1.2010 (exercise price 20p)	Expired	Exercised	Granted during the year (exercise price 32p)	Existing on 31.12.2010	Date from which options granted during the year are exercisable	Expiry date of options granted during the year
Oozi Cats	2,000,000	-	-	1,100,000	3,100,000	30/06/11	30/06/15
Enrico Testa	1,000,000	-	-	500,000	1,500,000	30/06/11	30/06/15
Yariv Dafna	200,000	-	-	250,000	450,000	30/06/11	30/06/15

The highest and lowest closing prices of the Company's shares on AIM during 2010 were 22p (20 January to 1 February 2010) and 81.5p (15 December 2010).

On 29 January 2009, Messers Cats, Testa and Dafna were granted 2,000,000, 1,000,000 and 200,000 options, respectively, at an exercise price of £0.20 per options. Mr. Dafna was not a director at that time.

On 30 June 2010, Messers Cats, Testa and Dafna were granted 1,100,000, 500,000 and 250,000 options, respectively, at an exercise price of £0.32 per option. The options vest in 3 equal installments on 30 June 2011, 2012 and 2013 and expire, unless previously exercised, on 30 June 2015

The aggregate amount of gains made by directors on the exercise of share options in the year ended 31 December 2010 was $nil (2009: $nil).

Employees

In considering applications for employment from disabled people, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration, and where possible equal opportunities for training, career development and promotions are given to disabled persons.

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees. The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

Supplier payment policy

The Group does not operate a standard code in respect of payments to suppliers. It has due regard to the payment terms of suppliers and generally settles all undisputed accounts within 90 days of the date of invoice, except where different arrangements have been agreed with suppliers. Trade creditor days of the Group at 31 December 2010, calculated in accordance with the requirements of the Companies Act 2006, were 76 days (2009: 94 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Provision of information to auditors

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Yariv Dafna

Chief Financial Officer

31 March 2011

Statement of Directors Responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Telit Communications PLC

We have audited the financial statements of Telit Communications PLC for the year ended 31 December 2010 set out on pages 34 to 93. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Neale

David Neale (Senior Statutory Auditor)
for and on behalf of
KPMG Audit Plc, Statutory Auditor and Chartered Accountants
8 Salisbury Square, London EC4Y 8BB
31 March 2011

Telit Communications PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Revenue	2	131,678	88,838
Cost of sales		(78,754)	(46,157)
Gross profit		52,924	42,681
Other operating income	3	1,942	68
Research and development expenses		(17,606)	(15,140)
Selling and marketing expenses		(17,300)	(15,517)
Administrative expenses		(12,500)	(11,293)
Other operating expenses	4	(904)	(3,832)
Operating profit/(loss)	9	6,556	(3,033)
Investment income	5	47	118
Finance costs	6	(155)	(1,194)
Profit/(loss) before income taxes		6,448	(4,109)
Tax income/ (tax expense)	7	2,001	(113)
Profit/(loss) for the year		8,449	(4,222)
Other comprehensive income/(loss)			
Foreign currency translation differences (net of tax)		(893)	532
Total comprehensive income/(loss) for the year		7,556	(3,690)
Profit/(loss) attributable to:			
Owners of the Company		8,173	(4,864)
Non-controlling interest		276	642
Profit/(loss) for the year		8,449	(4,222)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		7,447	(4,228)
Non-controlling interest		109	538
Total comprehensive income/(loss) for the year		7,556	(3,690)
Basic profit/(loss) per share (in USD)	10	0.11	(0.10)
Diluted profit/(loss) per share (in USD)	10	0.10	(0.10)
Basic weighted average number of equity shares		74,855,355	45,608,802
Diluted weighted average number of equity shares		83,704,528	45,608,802

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

		Group			Company		
		2010	2009	2008	2010	2009	2008
	Note	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Non-current assets							
Intangible assets	11	12,294	12,705	13,754	7,799	9,284	-
Property, plant and equipment	12	4,210	4,745	5,259	8	4	6
Investment in associated undertaking	13	-	669	669	-	-	644
Other investments	14	-	2,262	2,185	-	-	
Investments in subsidiaries	15	-	-	-	44,213	37,969	36,582
Other long term assets	17	610	566	4,783	14	6	-
Deferred tax asset	7	3,574	455	763	-	-	-
		20,688	21,402	27,413	52,034	47,263	37,232
Current assets							
Inventories	16	17,127	8,674	14,961	-	42	-
Trade receivables	17	29,560	31,226	20,284	776	654	344
Other current assets	17	5,728	8,001	6,679	3,604	980	1,176
Deposits – restricted cash	19	1,546	4,979	544	-	7,203	8,350
Cash and Cash equivalents	19	13,521	11,378	6,428	499	4,571	881
Assets classified as held for sale	13	479	-	-	-	-	-
		67,961	64,258	48,896	4,879	13,450	10,751
Total assets		88,649	85,660	76,309	56,913	60,713	47,983
LIABILITIES AND SHAREHOLDERS' EQUITY							
Shareholders' equity							
Share capital	20	1,361	1,293	845	1,361	1,293	845
Share premium account		47,800	47,145	38,712	47,800	47,145	38,712
Other reserve		(2,993)	(354)	(354)	8,052	8,052	8,052
Merger reserve		1,235	-	-	1,235	-	-
Translation reserve		(3,669)	(2,943)	(3,579)	2,805	3,824	1,814
Retained earnings		(15,336)	(23,886)	(19,583)	(11,974)	(11,087)	(3,489)
Equity attributable to owners of the Company		28,398	21,255	16,041	49,279	49,227	45,934
Non- controlling interests		617	1,654	512	-	-	-
Total equity		29,015	22,909	16,553	49,279	49,227	45,934
Non-current liabilities							
Other loans	27	7,365	4,598	4,991	-	-	-
Post-employment benefits	21	2,906	2,925	2,515	-	-	-
Deferred tax liabilities	7	-	99	341	-	-	-
Provisions	24	2,138	1,199	1,041	-	-	-
Other long-term liabilities	25	295	318	166	-	-	-
		12,704	9,139	9,054	-	-	-
Current liabilities							
Short-term borrowings from banks and other lenders	27	14,917	22,161	18,596	-	-	696
Trade payables	22	22,199	25,968	15,504	257	596	103
Provisions	24	2,317	218	197	-	-	-
Other current liabilities	22	7,497	5,265	16,405	7,377	10,890	1,250
		46,930	53,612	50,702	7,634	11,486	2,049
Total equity and liabilities		88,649	85,660	76,309	56,913	60,713	47,983

The financial statements on pages 34 to 93 were approved by the board and authorized for issue on 31 March 2011 and are signed on its behalf by: Oozi Cats, Director

Company number: 05300693

Telit Communications PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
CASH FLOWS - OPERATING ACTIVITIES				
Profit/(loss) for the period from continuing operations	8,449	(4,222)	(1,113)	(7,903)
Adjustments for:				
Depreciation and amortization	6,005	4,542	1,085	286
Impairment of investments in subsidiaries	-	-	1,596	4,322
Impairment loss on asset classified as held for sale	437	-	-	-
Gain on disposal of associated undertaking	-	-	(245)	(232)
Tax (income)/expense	(2,001)	113	-	-
Investment income	(47)	(118)	-	(118)
Finance costs	155	1,194	-	-
Increase in provision for post-employment benefits	106	292	-	-
Interest on loan provided to subsidiary	-	-	(77)	-
Share-based payment charge	377	561	226	305
Operating cash flows before movements in working capital:	13,481	2,362	1,472	(3,340)
Decrease/(increase) in trade receivables	793	(5,891)	(158)	(304)
Decrease/(increase) in other current assets	1,217	2,573	(3,260)	237
(Increase)/decrease in inventories	(8,482)	6,979	40	(42)
(Decrease) /increase in trade payables	(2,706)	9,843	(313)	489
Increase/(decrease) in other current liabilities	5,299	(12,433)	(2,310)	7,313
Increase in provisions and other long term liabilities	1,025	268	-	-
Cash from/(used in) operations	10,627	3,701	(4,529)	4,353
Income tax paid	(1,209)	(33)	-	-
Interest received	47	118	-	118
Interest paid	(155)	(1,194)	-	-
Net cash from/(used in) operating activities	9,310	2,592	(4,529)	4,471
CASH FLOWS - INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,679)	(1,312)	(8)	-
Proceeds from disposal of assets	65	138	-	-
Purchase of intangible assets	(3,654)	(4,434)	-	(9,579)
Acquisition of other investments from subsidiary	-	-	(1,936)	-
Acquisition of subsidiaries	-	-	(33)	(36)
Additional investment in subsidiary	-	-	(6)	-
Change in loan to subsidiary, net	-	-	(3,805)	(2,409)
Decrease/(increase) in restricted cash deposits	3,072	(4,416)	6,893	1,441
Net cash (used in)/from investing activities	(2,196)	(10,024)	1,105	(10,583)

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
CASH FLOWS - FINANCING ACTIVITIES				
Issuance of shares	-	8,881	-	8,881
Exercise of options	64	-	64	-
Short-term borrowings from banks and others	(6,821)	3,667	-	-
Proceeds from preferential rate loan (note 27)	4,341	-	-	-
Repayment of other loans	(524)	(569)	-	-
Net cash (used in)/from financing activities	(2,940)	11,979	64	8,881
Increase/(decrease) in cash and cash equivalents	4,174	4,547	(3,360)	2,769
Cash and cash equivalents - balance at beginning of year	11,378	6,428	4,571	881
Effect of exchange rate differences	(2,031)	403	(712)	921
Cash and cash equivalents - balance at end of year	13,521	11,378	499	4,571

Non – cash transactions:

1) On January 1, 2009 the Company sold its investments in Cell time Ltd to Dai Telecom Holdings (2000) Ltd for a consideration of $876 thousand. The Company provided Dai Telecom Holdings (2000) Ltd with a new loan to fund this acquisition. See also note 15.

2) On June 30, 2009 the Company converted a loan in the amount of $1.4 million in consideration for 1,865 ordinary shares of Dai Telecom (2000) Ltd.

3) On January 1, 2010 the Company sold its direct holding in Dai Telecom Ltd to its subsidiary Dai Telecom Holdings (2000) Ltd for a consideration of $927 thousand. The Company provided Dai Telecom Holdings (2000) Ltd with additional loan to fund this acquisition. See also note 15.

4) On May 20 2010 the Company settled a loan in the amount of $720 thousand by assigning the loan to a third party in consideration for the allotment of 1,703,578 ordinary shares of 1 pence each.

5) On July 1, 2010 the Company acquired its non - controlling interests in the Company's subsidiary, Telit Wireless Solutions Srl. In consideration, the non - controlling interests acquired from Telit Wireless Solutions Srl its holdings in the subsidiary of the non-controlling interest and received 2,700,000 ordinary shares of the Company. See also note 1(ab).

6) On December 31, 2010 the Company purchased from Dai Telecom Holdings (2000) Ltd 100% of its holding in Telit Wireless Solutions Ltd. for a consideration of $700 thousand that was paid by offset from the shareholders loan. On December 31, 2010 the Company converted $173 thousand of the loan balance owed by Dai Telecom Holdings (2000) Ltd into 188 ordinary shares of Dai Telecom Holdings (2000) Ltd.

Year ended 31 December 2010

	Share capital	Share premium Account	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	1,293	47,145	-	(354)	(2,943)	(23,886)	21,255	1,654	22,909
Total Comprehensive Income for the year									
Profit for the year	-	-	-	-	-	8,173	8,173	276	8,449
Foreign currency translation differences	-	-	-	-	(726)	-	(726)	(167)	(893)
Total comprehensive income	-	-	-	-	(726)	8,173	7,447	109	7,556
Transactions with owners:									
Issuance of shares	25	594	-	-	-	-	619	-	619
Exercise of options	3	61	-	-	-	-	64	-	64
Share-based payment charge	-	-	-	-	-	377	377	-	377
Arising on acquisition of non-controlling interests in Telit Wireless Solutions Srl	40	-	1,235	(2,639)	-	-	(1,364)	(1,146)	(2,510)
Total transactions with owners	68	655	1,235	(2,639)	-	377	(304)	(1,146)	(1,450)
Balance at 31 December 2010	1,361	47,800	1,235	(2,993)	(3,669)	(15,336)	28,398	617	29,015

Year ended 31 December 2009

	Share capital	Share premium Account	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2009	845	38,712	(354)	(3,579)	(19,583)	16,041	512	16,553
Total Comprehensive Income for the year								
Loss for the year	-	-	-	-	(4,864)	(4,864)	642	(4,222)
Foreign currency translation differences	-	-	-	636	-	636	(104)	532
Total comprehensive income	-	-	-	636	(4,864)	(4,228)	538	(3,690)
Transactions with owners								
Issuance of shares	448	8,433	-	-	-	8,881	-	8,881
Share-based payment charge	-	-	-	-	561	561	-	561
Arising on deemed disposal -minority in Telit Wireless Solutions Srl	-	-	-	-	-	-	604	604
Total transactions with owners	448	8,433	-	-	561	9,442	604	10,046
Balance at 31 December 2009	1,293	47,145	(354)	(2,943)	(23,886)	21,255	1,654	22,909

Year ended 31 December 2010

	Share capital $'000	Share premium account $'000	Merger reserve $'000	Other reserve $'000	Translation Reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2010	1,293	47,145	-	8,052	3,824	(11,087)	49,227
Total Comprehensive Income for the year							
Loss for the year	-	-	-	-	-	(1,113)	(1,113)
Foreign currency translation differences	-	-	-	-	(1,019)	-	(1,019)
Total comprehensive income	-	-	-	-	(1,019)	(1,113)	(2,132)
Transactions with owners							
Issuance of shares	25	594	-	-	-	-	619
Exercise of options	3	61	-	-	-	-	64
Share based payment charge	-	-	-	-	-	226	226
Arising on acquisition of non-controlling interests in Telit Wireless Solutions Srl	40	-	1,235	-	-	-	1,275
Total transactions with owners	68	655	1,235	-	-	226	2,184
Balance at 31 December 2010	1,361	47,800	1,235	8,052	2,805	(11,974)	49,279

Year ended 31 December 2009

	Share capital $'000	Share premium account $'000	Other reserve $'000	Translation Reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2009	845	38,712	8,052	1,814	(3,489)	45,934
Total Comprehensive Income for the year						
Loss for the year	-	-	-	-	(7,903)	(7,903)
Foreign currency translation differences	-	-	-	2,010	-	2,010
Total comprehensive income	-	-	-	2,010	(7,903)	(5,893)
Transactions with owners						
Issuance of shares	448	8,433	-	-	-	8,881
Share based payment charge	-	-	-	-	305	305
Total transactions with owners	448	8,433	-	-	305	9,186
Balance at 31 December 2009	1,293	47,145	8,052	3,824	(11,087)	49,227

1. ACCOUNTING POLICIES

(a) General information

Telit Communications PLC (the "Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

(b) Basis of preparation - Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement and Review on pages 7 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Statement and Review on pages 7 to 19. In addition notes 17, 25, 27 and 28 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk.

The Group meets its day to day working capital requirements through overdraft facilities, invoice advance facilities and factoring. Some of these facilities are cancellable on demand or have renewal dates within one year of the date of approval of the financial statements. In addition, the Group has received a long-term preferential rate loan from the Ministry of Trade and Commerce in Italy. Further information is provided within note 27. The management considers the uncertainty over (a) the level of demand for the Group's products which may also affect the possibility of utilizing some of these facilities since they depend upon the level of sales in specific markets and in some instances to specific customers; (b) the exchange rate between Euro and U.S. dollars and thus the consequence for the cost of the Group's raw materials; (c) the availability of bank finance in the foreseeable future; (d) the continuity of supply from key suppliers; and (e) the uncertainty over forecasts in current market environments.

The Group's forecasts and projections taking into account the Group's history of successfully renewing its facilities in the past and the fact that there are actions available to the Group to address these risks, show that the Group should be able to operate within the level of its current facilities. The Group maintains constant negotiations with the banks for renew and increase the credit facilities to meet the required working capital for the group future growth. In addition, in February 2011 the Company raised additional funds of £19 million ($30 million) through a share issue in the stock market while $22.5 million used for the acquisition of Motorola m2m and the rest will be used to support the Group's growth.

After making enquiries, the directors have the confidence that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1. ACCOUNTING POLICIES (continued)

(c) Functional and presentational currency

Commencing on 1 January 2010, the consolidated financial statements are presented in US dollars, which differs from the functional currency of the Company and those subsidiaries that are not located in the dollar zone.

The Group and Company decided to change its reporting currency from Euros to US dollars to fully reflect the Group's global operations, while increasing management's ability to react to the effects of foreign exchange fluctuations as a result of the following developments: 1) moving the production of its products to China resulting in manufacturing costs denominated in US dollars, compared to the previous arrangement, with a European manufacturer, where production costs were denominated in Euros; and 2) revenues in US dollars, or linked to the US dollar, now comprise the biggest share of the Group's overall revenues.

The assets and liabilities of the Company's subsidiaries that have a functional currency other than the US dollar are translated at the closing exchange rates prevailing at the balance sheet date. Income and expense items and cash flows are translated at the average exchange rates for the period. Exchange rate differences arising, from the translation of the above mentioned items, are recorded directly to the other comprehensive income as a separate component called "translation differences". Goodwill and intangible assets arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Following is data on the foreign exchange rates of the US dollar:

	exchange rate (Euro/US dollar)
At December 31:	
2010	1.3362
2009	1.4406
2008	1.3917
Average for the year ended December 31:	
2010	1.3268
2009	1.3933

(d) Basis of consolidation

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

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

All intra-group transactions and balances between the Group's companies are eliminated on consolidation.

1. ACCOUNTING POLICIES (continued)

Non- controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

(e) Business combination

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. On a transaction-by-transaction basis, the Group elects to measure non-controlling interests either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(f) Acquisition of non - controlling interests

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interest. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

1. ACCOUNTING POLICIES (continued)

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interest are based on proportionate amount of the net assets of the subsidiary.

Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with maturity of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

(h) Trade receivables

Trade receivables classified as current assets are recognised and carried at original invoice amount, which the Directors consider to be equal to fair value. Approximate allowances for estimated uncollectible amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade receivables classified as non-current assets are recognised at the original invoice amount, discounted to present value where the effect is material.

(i) Inventories

Produced finished goods are stated at the lower of cost or net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Raw materials are presented at the lower of cost or net realisable value, with cost calculated using the weighted average method.

(j) Investments

Investments in associated undertakings

An associate is an entity over which the Group or the Company is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the associate.

The results, and assets and liabilities of the associate are incorporated in the financial statements using the equity method of accounting. The investment in the associate is carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group’s or Company’s share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of the associate in excess of the Group’s or Company’s interest in those associates are not recognised. Any excess of the cost of acquisition over the Group’s or Company’s share of the fair value of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill.

1. ACCOUNTING POLICIES (continued)

(j) Investments (continued)

The Company considers at each balance sheet date whether there are any indications of impairment in the value of its investment in associated undertakings. If the book value of an investment in a non-subsidiary investee exceeds its recoverable value, the Company recognises an impairment loss.

Company - Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

A gain or loss on partial disposal of investments in subsidiary that do not result in a loss of control are recognised in the statement of comprehensive income.

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost over the estimated useful life of the assets, using the straight -line method.

Depreciation rates are as follows:

	%
Office furniture and equipment	6-15
Computers and software	33
Vehicles	15
Leasehold improvements	10-14
Machines and equipment	10-25

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(l) Intangible assets

Other intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

Amortisation rates are as follows:

	%
Software and license	15-33
Customer relationships	15
Acquired technology	20-40
Trademark	12.5

(m) Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity or business recognised at the date of acquisition.
Goodwill is initially recognised as an asset held at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and re-valued to the closing rate at each balance sheet date. Goodwill is not subject to amortisation, but is subject to testing for impairment.

1. ACCOUNTING POLICIES (continued)

(m) Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to the cash-generating unit to which it relates. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On full or partial disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the statement of comprehensive income on disposal.

(n) Internally developed intangible assets – development costs

The cost of research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's expenditure on development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as hardware, software or a new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, typically 3-5 years, from the date at which such assets are available for use. Where the internally generated intangible asset is not yet available for use, it is tested for impairment annually by comparing its carrying amount with its recoverable amount.

Where no internally-generated intangible asset can be recognised, development costs are recognised as an expense in the period in which they are incurred.

(o) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

1. ACCOUNTING POLICIES (continued)

(p) Income taxes

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(q) Trade payables

Trade payables are non-interest bearing and are stated at their fair value.

(r) Retirement benefit costs

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date, except where future service by current employees no longer qualifies for benefits in which case a Traditional Unit Credit Method is applied. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. Gains or losses on the curtailment of a defined benefit plan are recognised in the statement of comprehensive income when the curtailment or settlement occurs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The values attributed to plan liabilities that are material to the financial statements are assessed in accordance with the advice of independent qualified actuaries.

1. ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed and revenues from services are recognised as the services are provided.

Royalty income is recognised in accordance with the terms of the relevant royalty agreement unless there has been an assignment of rights for a fixed fee or non-refundable guarantee under a non-cancellable contract which permits the licensee to exploit such rights freely and the Company has no remaining obligations to perform; in such circumstances, revenue is recognised when collection of the fee is reasonably assured.

(t) Leases

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

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

(u) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred. Finance charges, including any premiums to be paid on settlement or redemption and direct issue costs and discounts relating to borrowings, are accounted for on an accruals basis and charged to the statement of comprehensive income using the effective interest method.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense charged to the statement of comprehensive income. This change in accounting policy was due to the adoption of IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

(v) Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met.

Government grants received in respect of costs which have been capitalized as development costs are deducted from the carrying amount of the asset.

Government grants relating to income are recognised in other income over the periods necessary to match them with the related cost.

(w) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

1. ACCOUNTING POLICIES (continued)

(w) Non-current assets held for sale (continued)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through the sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition and the Company is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

(x) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at fair value less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

The Group classifies its other financial assets as either available for sale financial assets or loans and receivables; no financial assets at fair value through profit or loss are held, except for derivative financial instruments, which are set out below. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Certain shares held by the Group are classified as being available-for-sale since they are not held for trading, have not been designated as at fair value through profit or loss and do not meet the accounting requirements for classification as loans and receivables or held-to-maturity investments.
Such assets are stated at fair value or, where there is insufficient information to reliably determine fair value at the measurement date, at deemed cost, less impairment. The determination of fair values is described in note 14. Gains and losses arising from changes in fair value are recognised directly in reserves. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in reserves is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less impairment.

Interest is recognised by applying the effective rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

1. ACCOUNTING POLICIES (continued)

(x) Financial instruments (continued)

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises collateralized borrowings for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

All the Group's financial liabilities are classified as other financial liabilities. It holds no financial liabilities 'at fair value through profit or loss', except for derivative financial instruments, which are set out below.

1. ACCOUNTING POLICIES (continued)

(x) Financial instruments (continued)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Derivative financial instruments

The Group has entered into an interest rate swap to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 25 to the financial statements.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately as the Group has not designated the derivative as a hedging instrument.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

(y) Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees and directors. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured using an appropriate valuation model, for example the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

1. ACCOUNTING POLICIES (continued)

(y) Share-based payments (continued)

Where the Group has settled a grant of equity instruments during the vesting period, the Group accounts for the settlement as an acceleration of vesting, and recognises immediately in the statement of comprehensive income the amount that otherwise would have been recognised for services received over the remainder of the vesting period. Payments made to the employee on settlement of the grant are accounted for as the repurchase of equity interest and deducted from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess is recognised as an expense in the statement of comprehensive income.

(z) Loss per share

Basic and diluted loss per share is computed on the basis of the weighted average of paid up capital shares during the year in accordance with IAS 33 (Revised) *Earnings per share*.

(aa) Provisions

A provision for warranty costs is recognised at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's liability. Other provisions are recognise in accordance with IAS 37 at the best estimate of the expenditure required to settle the Group's liability.

(ab) Critical accounting judgments and key sources of estimation uncertainty

Critical accounting judgments

In the process of applying the Group's accounting policies, management consider the following judgments, apart from those involving estimates on future uncertain events, which are discussed further below, to have the most significant effect on the amounts recognised in the financial statements.

Grant receivable

Income relating to government grants is recognised when there is reasonable assurance that the Company has complied with the conditions attaching to them and the grant will be received. Management is required to exercise judgment in determining when compliance with the terms of the grant and receipt of the grant are probable. The amount of regional grant income recognised in the statement of comprehensive income for the year ended 31 December 2010 was $726,000 (2009: $68,000).
As at 31 December 2010 an amount of $2,651,000 (2009: $5,352,000) is recorded in other current assets.

Allocating fair values in a business combination

Acquisitions of shares in subsidiaries are accounted for using the acquisition method whereby their aggregate consideration is allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimates. Management is required to exercise judgment in the determination of the fair value of identified assets and liabilities, and particularly intangible assets.

As at 31 December 2010, the carrying value of intangible assets other than the goodwill acquired in business combinations was $ nil (2009: $512,000). For applicable amortization rates, see note 1(l) above.

1. ACCOUNTING POLICIES (continued)

(ab) Critical accounting judgments and key sources of estimation uncertainty (continued)

Investments in unlisted entity

Until 30 June 2010, the Group held equity instruments in an unlisted entity for which no active market exists and hence a quoted market price does not exist. These are accounted for as available-for-sale investments by the Group, requiring them to be measured at fair value at inception and at each balance sheet date, unless such fair values cannot be reliably determined at the measurement date, in which case they are recorded at deemed cost less any impairment.

Determination of fair value requires the use of valuation techniques which make use of certain assumptions including historic and forecast revenues and earnings, debt levels, multiples observed for comparator companies and discounts to such multiples to take account of entity specific factors such as liquidity.

On July 1 2010, the Group sold the investment for its book value which was equal to the fair value of the investment at the date of transfer. See also note 14.

Share-based payments

The Group has granted equity-settled share-based payments to certain directors and employees. Such options are required to be fair valued in accordance with the requirements of IFRS 2 *Share-based payment*. Determination of fair value requires the exercise of judgment regarding the applicable assumptions to be used as inputs into the fair value model, including the expected volatility, risk-free rate and expected option life. Changes in these assumptions would affect the fair value of options and hence the amount recorded in the statement of comprehensive income. For the year ended 31 December 2010, the total amount recorded in the statement of comprehensive income was $377,000 (31 December 2009: $561,000).

Accounting for transactions with Bartolini After Market Electronic Services Srl ("BAMES")

On 20 June 2007, the Group entered into a series of related transactions with BAMES in which BAMES subscribed for 10% of the share capital of Telit Wireless Solutions Srl for €16.0 million, and the Group acquired a 19.9% interest in BAMES's subsidiary, Services for Electronic Manufacturing Srl ("SEM") for €1. Additionally, the Group entered into a manufacturing agreement for the manufacture by SEM of machine-to-machine modules, with certain exceptions, for a period of at least five years, together with minimum purchase quantities.

In July 2010 the Company and BAMES concluded the unwinding of the cross holdings between the groups, whereby the Company acquired from BAMES its entire stake in Telit Wireless Solutions Srl giving the Company 100% ownership of Telit Wireless Solutions Srl share capital, in consideration for Telit Wireless Solutions Srl 19.9% stake in SEM and the allotment to BAMES by the Company of 2.7 million new ordinary shares. If, as of 1 February 2011, the value of the 2.7 million shares is less than €1.5 million, the Company will pay BAMES a further cash sum to bring this element of the consideration to €1.5 million. If, on that date, the value of these shares is greater than €1.5 million, BAMES will pay the Company 50% of the amount between €1.5 million and €2.5 million and 100% of the amount above €2.5 million, as applicable.

Accounting for the additional payment required the Group to estimate the fair value of the contingent consideration initially at the acquisition date and at each reporting date until the contingency is resolved. A change in the amount of $1,161,000 has been recognised in the statement of comprehensive income.

This transaction resulted in changes in ownership interests while retaining control and is accounted for as a transaction with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised. Also no change in the carrying amounts of assets or liabilities is recognised.

1. ACCOUNTING POLICIES (continued)

(ab) Critical accounting judgments and key sources of estimation uncertainty (continued)

The difference in the amount of $2,639,000 between the consideration which made up of combination of the fair value of the shares issued and the contingent consideration plus the elimination of the fair value of the investment held in SEM was included in merger reserve as a component of equity. The fair value of the shares issued determined based on the share price at the date of the transaction. The value of the investment in SEM was determined at its fair value at the date of the transactions which is equal to the acquisition cost. See note 14.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of deferred tax assets

Under IFRS, a deferred tax asset arising on trading losses or deductible temporary differences is only recognised where it is probable that future taxable profits will be available to utilize the losses. The key judgments in assessing the recognition of a deferred tax asset are:

- the probability of taxable profits being available in the future; and
- the quantum of taxable profits that are forecast to arise.

This requires management to exercise judgment in forecasting future results. There are a number of assumptions and estimates involved in estimating the future results of the relevant entity in which the trading losses arose, including:

- management’s expectations of growth in revenue;
- changes in operating margins;
- uncertainty of future technological developments; and
- Uncertainty over global and regional economic conditions and demand for the Group’s services.

Changing the assumptions selected by management could significantly affect the Group’s results.
As at 31 December 2010, the Group have recognised a deferred tax asset of $3,574,000 (2009: $455,000). See note 7 for further information.

Recoverability of internally developed intangible assets

Capitalization of development costs requires the exercise of management judgment in determining whether it is probable that future economic benefits to the Company arising will exceed the amount capitalized. This requires management to estimate anticipated revenues and profits from the related products to which such development costs relate. As at 31 December 2010, the amount of development costs capitalized (net of amortization and grants) included in the Group balance sheet was $7,038,000 (2009: $6,376,000).

Impairment of goodwill

Determining whether goodwill is impaired, requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

1. ACCOUNTING POLICIES (continued)

(ab) Critical accounting judgments and key sources of estimation uncertainty (continued)

There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's cash-generating units, including:

- management's expectations of growth in revenue;
- changes in operating margins;
- uncertainty of future technological developments;
- uncertainty over global and regional economic conditions and demand for the Group's products;
- long-term growth rates; and
- selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections could significantly affect the Group's results. As at 31 December 2010, the amount of goodwill included in the consolidated balance sheet was $3,534,000 (2009: $3,495,000).

Recoverability of investments in associated undertaking

Asset recoverability is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, as noted below.

IFRS requires management to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Group management currently undertakes an impairment test for investments in associated undertakings at least annually to consider whether a full impairment review is required.

Recoverability of investments in associated undertaking (continued)

If the book value of an investment in a non-subsidiary investee exceeds its recoverable value, the Company recognises an impairment loss. As at 31 December 2010, the book value of the investment in associated undertakings after the effect of impairment loss provision recorded to reduce the value of the investment to its expected recoverable amount was $479,000 (2009: $669,000). This asset is included as held for sale this year. See note 13.

Provisions

The Group is currently the subject of ongoing tax audits in respect of tax returns made in certain jurisdictions. The calculation of the Group's charges to taxation, including income tax, employment tax, sales taxes and other taxes involves the exercise of judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The probable outcome of the tax audits has been considered in determining the appropriate level of provision for such taxes. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances.

1. ACCOUNTING POLICIES (continued)

(ac) New Accounting Standards, interpretations and amendments to existing standards that are adopted for the first time in these financial statements

The Group adopted the following standards as from January 1, 2010:

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (2008) allows a choice on transaction by transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.
IFRS 3 (2008) changed the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised as the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date and subsequent adjustments to the consideration is recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or liability are recognised in the statement of comprehensive income.

IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the aquiree.

IFRS 3 (2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in the statement of comprehensive income as incurred, whereas previously they were accounted for as part of the cost of the acquisition. As part of the Improvements to IFRSs issued in 2010, IFRS 3 (2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of a acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards.

In addition, as part of Improvements to IFRSs issued in 2010, IFRS 3 (2008) was amended to give more guidance regarding the accounting for share based payment awards held by the aquiree's employees. Specifically, the amendments specify that share based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share based Payment at the acquisition date.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.
Specifically, the revised standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or bargain purchase gain being recognised, when appropriate; for decreases in interest in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interest was recognised in the statement of comprehensive income. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or comprehensive income.

1. ACCOUNTING POLICIES (continued)

(ac) New Accounting Standards, interpretations and amendments to existing standards that are adopted for the first time in these financial statements (continued)

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27 (2008) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in comprehensive income.

As part of Improvements to IFRSs issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

(ad) New standards and interpretations not yet applied

During the year, the IASB and IFRIC have issued a number of new standards, interpretations and amendments to existing standards which will be effective for the Group in future accounting periods, including:

Amendments to IFRS 1 - Limited Exemption from Comparative IFRS 7 Disclosures for first time adopters
Amendment to IFRS 7 - Disclosures-Transfers of Financial Assets
IFRS 9 (as amended in 2010) - Financial Instruments
IAS 24 (Revised in 2009) - Related party disclosures
Amendment to IAS 32 - Classification of Rights Issues
Amendment to IFRIC 14 -Prepayments of Minimum Funding Requirement
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instrument

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

2. SEGMENTAL ANALYSIS

The Group

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker in the Group. The chief operation decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions, has been identified as the Chief Executive Officer.

The Group is organized on a worldwide basis into three geographical segments: EMEA, APAC and Americas. There are no other segments.

Segmental information for each geographical region in which Telit operates is presented below:

2010

	EMEA	APAC	Americas	Total	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External sales	76,529	21,167	33,982	131,678	-	131,678
Inter-segment sales [(1)]	34,929	3,151	-	38,080	(38,080)	-
Total revenue	111,458	24,318	33,982	169,758	(38,080)	131,678
Result						
Segment result	2,307	2,358	4,179	8,844	-	8,844
Unallocated corporate expenses [(2)]						(2,288)
Operating profit						6,556
Investment income						47
Finance costs						(155)
Profit before income taxes						6,448
Income taxes						2,001
Profit for the year						8,449

2009

	EMEA	APAC	Americas	Total	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External sales	53,544	21,036	14,258	88,838	-	88,838
Inter-segment sales [(1)]	36,245	874	309	37,428	(37,428)	-
Total revenue	89,789	21,910	14,567	126,266	(37,428)	88,838
Result						
Segment result	3,746	460	(2,214)	1,992	-	1,992
Unallocated corporate expenses [(2)]						(5,025)
Operating (loss)						(3,033)
Investment income						118
Finance costs						(1,194)
Profit before income taxes						(4,109)
Income taxes						(113)
Loss for the year						(4,222)

(1) Transactions between geographic segments are charged at market prices.
(2) Unallocated corporate expenses principally comprise salary, professional fees and other expenses which cannot be directly allocated to one of the segments.

2. SEGMENTAL ANALYSIS (continued)

	2010	2009
	$'000	$'000
Total assets:		
EMEA	46,013	42,856
APAC	9,973	13,422
Americas	8,168	4,705
Unallocated assets	24,495	24,677
Total assets	88,649	85,660
Total liabilities:		
EMEA	27,685	28,204
APAC	3,414	2,397
Americas	2,180	951
Unallocated liabilities	26,355	31,199
Total liabilities	59,634	62,751

Unallocated assets comprise:

	2010	2009
	$'000	$'000
Other long term assets	610	566
Deferred tax asset	3,574	455
Other debtors in respect of general entity and head office purposes	5,244	7,299
Deposits - restricted cash	1,546	4,979
Cash and cash equivalents	13,521	11,378
Unallocated assets	24,495	24,677

Unallocated liabilities comprise:

	2010	2009
	$'000	$'000
Other loans	7,365	4,598
Short-term borrowings from banks and other lenders	14,917	22,161
Other current liabilities in respect of general entity and head office purposes	3,778	4,023
Other long term liabilities	295	318
Deferred tax liabilities	-	99
Unallocated liabilities	26,355	31,199

2. SEGMENTAL ANALYSIS (continued)

2010

	EMEA	APAC	Americas	Consolidated
	$'000	$'000	$'000	$'000
Other segment items:				
Capitalized tangible and intangible asset additions	4,828	475	30	5,333
Non-cash items:				
Depreciation and amortization	4,035	1,873	97	6,005
Bad debt expense	570	35	4	609
Share-based payments	329	22	26	377

2009

	EMEA	APAC	Americas	Consolidated
	$'000	$'000	$'000	$'000
Other segment items:				
Capitalized tangible and intangible asset additions	4,115	1,507	124	5,746
Non-cash items:				
Depreciation and amortization	3,503	964	75	4,542
Bad debt expense	340	32	46	418
Share-based payments	491	32	38	561

3. OTHER INCOME

	2010	2009
	$'000	$'000
Change in fair value of contingent consideration(a)	1,161	-
Government grants (b)	726	68
Other	55	-
	1,942	68

(a) The $1,161,000 included in other income is in respect of the change in the fair value of a contingent consideration element agreed between the Company and BAMES, see also note 1 (ab).

(b) The Group's eligibility for the annual programs for 2009 and 2010 was approved by the relevant grant making body during the year. The Group only recognises such income from the regional grant-making body once it has received confirmation of eligibility and once the qualifying conditions have been satisfied and the Group is reasonably assured of receipt. The Group has recognised amounts expected to be received in respect of the regional grant within other income in the year ended 31 December 2010 as all the conditions for qualification, which relate to the level of eligible expenditure incurred, have been satisfied.

4. OTHER EXPENSES

Other expense in 2009 related to a compensation payment agreed during July 2009 with BAMES in order to convert the exclusive agreement with SEM, a leading global electronics service provider, (the Vimercate, Milan based manufacturing arm of BAMES), to be non-exclusive. As a result of the cancellation of the exclusivity, the Company paid to SEM a one-time compensation of $3.8 million.

Other expenses in 2010 mainly consists of an impairment loss of $437,000 recorded in respect of the investment in associate undertaking, (see note 13), and $257,000 expenses related to the Company's participation in the auction proceedings of a leading market share company in the m2m market.

5. INVESTMENT INCOME

	2010	2009
	$'000	$'000
Interest income from bank deposits	47	118

6. FINANCE COSTS

	2010	2009
	$'000	$'000
Interest expense on factoring arrangements	107	109
Interest expense on bank loans and overdrafts	1,043	1,042
Fair value movement on derivative financial instrument	-	142
Exchange rate differences	(995)	(99)
	155	1,194

7. INCOME TAXES

	2010	2009
	$'000	$'000
A.		
Overseas corporate tax:		
Current year taxes	(230)	50
Deferred taxes:		
Overseas deferred taxes	(1,771)	63
	(2,001)	113

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. INCOME TAXES (continued)

B. Factors affecting the tax expense for the year

The table below explains the differences between the expected tax credit on continuing operations, at the UK statutory rate of 28% for 2010 and 28% for 2009, and the Group's total tax expense for the year:

	2010 $'000	2009 $'000
Profit/(loss) before income tax from continuing operations	6,448	(4,109)
Tax (credit)/ charge computed at 28% (2009:28%)	(1,805)	1,151
Tax adjustments arising from:		
Expenses which are not deductible in determining taxable profit/(Income exempted)	64	(2,855)
Allowance of deferred tax asset	3,432	-
Impairment of deferred tax asset	(38)	(173)
Decrease/(Increase) in taxes resulting from a different tax rate of subsidiaries operating in other jurisdictions	(342)	(21)
Utilization of carry forward losses for which no deferred tax were recorded	2,474	-
Tax losses not utilised	(726)	2,225
Tax for previous years	(1,058)	-
Other differences	-	(440)
Tax income/(charge) for continuing operations	2,001	(113)

C. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior year, after offset of balances within countries:

	Net operating loss $'000	Other timing differences $'000	Total $'000
At 1 January 2009	600	(178)	422
Translation adjustments	47	(47)	-
(Charge) / credit to the statement of comprehensive income	(215)	149	(66)
At 1 January 2010	432	(76)	356
Translation adjustments	(37)	-	(37)
Credit to the statement of comprehensive income	2,941	314	3,255
At 31 December 2010	3,336	238	3,574

In the year ended 31 December 2010, the Group has recognised deferred tax assets of $2,821,000, $728,000 and $25,000 in respect of Telit EMEA, Telit APAC and Telit Israel, respectively.

7. INCOME TAXES (continued)

D. Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the finalization and acceptance of tax returns with relevant tax authorities, the resolution of inquiries from tax authorities (discussed further in note 1(ab), corporate acquisitions and disposals, changes in tax legislation and rates, the availability and use of brought forward tax losses, and the realization or otherwise of recognised deferred tax assets.

The gross amount and expiry dates of losses available for carry forward are as follows:

	2010	2009
	$'000	$'000
Losses for which a deferred tax asset is recognised	10,259	1,964
Losses for which no deferred tax asset is recognised	50,794	63,902
	61,053	65,866

Following announcements made within the UK Emergency Budget of 22 June 2010, it was proposed that the full rate of corporation tax be reduced by 1% per annum for 4 years from April 2011, ultimately bringing the corporation tax down to 24%. The reduction to 27% has now been substantively enacted and the impact on deferred tax balances has been reflected in these financial statements. Subsequent to this announcement it has further been announced that this rate will reduce to 23% as a 2% decrease is anticipated from April 2011. This second announcement has not yet been subsequently enacted.

8. EMPLOYEES

The average monthly number of persons (including executive directors) during the year was:

	2010	2009
Sales and marketing	78	64
Research and development	193	186
General and administration	57	58
Operations	38	54
	366	362

Their aggregate remuneration comprised:

	2010	2009
	$'000	$'000
Wages and salaries	20,377	17,450
Social security costs	3,308	3,750
Other pension costs	1,586	769
	25,271	21,969

Directors' remuneration disclosures described within the Directors' Remuneration Report as audited form part of these financial statements on page 23.

The Company directly employed 2 persons in the UK during 2010.

9. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS AND GROUP AUDIT FEE

Profit/(loss) for the year from continuing operations is stated after charging / (crediting)

	2010	2009
	$'000	$'000
Net foreign exchange gain	(995)	(99)
Depreciation of owned fixed assets (note 12)	1,900	1,922
Amortization of intangible assets (note 11):		
Amortization of purchased customer list – included in selling and marketing expenses	692	399
Amortization of acquired technology – included in research and development expenses	-	332
Amortization of software – included in research and development expenses	3,413	1,889
Impairment loss on investment classified as held for sale	437	-
Research and development expenditure	17,606	15,140
Costs of inventories recognised as an expense	76,440	45,661
Write-downs of inventories recognised as an expense	(196)	4

Audit fee

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	153	171	153	171
Fees payable to the Company's auditors and their associates for other services to the Group:				
Current auditors	129	17	46	8
Preceding auditors	-	26	-	-
The audit of the Company's subsidiaries pursuant to legislation:				
Current auditors	209	173	-	-
Preceding auditors	42	28	-	-
Total audit fees	533	415	199	179
Other services relating to taxation	103	26	13	7
Total fees	636	441	212	186

10. PROFIT/(LOSS) PER SHARE

	2010	2009
	$'000	$'000
The calculations of basic and diluted earnings per ordinary share are based on the following results and numbers of shares:		
Profit/ (loss) for the year attributable to the equity shareholders of the Company	8,173	(4,864)
	No. of Shares	**No. of Shares**
Basic weighted average number of equity shares	74,855,355	45,608,802
Diluted weighted average number of equity shares	83,704,528	45,608,802
Basic profit/(loss) per share (USD)	0.11	(0.10)
Diluted profit/(loss) per share (USD)	0.10	(0.10)
Number of options that are anti-dilutive:	-	6,286,667

11. INTANGIBLE FIXED ASSETS

	Finite lived intangible assets					
	Software and licenses	**Internally generated development costs**	**Customer relationships**	**Acquired technology**	**Goodwill**	**Total**
GROUP	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
COST						
1 January 2009	5,288	6,736	1,501	963	3,203	17,691
Additions	243	4,191	-	-	-	4,434
Grant contribution	-	(3,614)	-	-	-	(3,614)
Disposals	(68)	-	-	-	-	(68)
Translation adjustments	209	404	147	73	292	1,125
31 December 2009	5,672	7,717	1,648	1,036	3,495	19,568
Additions	703	2,951	-	-	-	3,654
Transfer of assets	88	-	-	-	-	88
Translation adjustments	(347)	(29)	(35)	(11)	39	(383)
31 December 2010	6,116	10,639	1,613	1,025	3,534	22,927
ACCUMULATED AMORTIZATION						
1 January 2009	(1,972)	(674)	(659)	(632)	-	(3,937)
Charge for the year	(1,267)	(622)	(399)	(332)	-	(2,620)
Translation adjustments	(111)	(45)	(78)	(72)	-	(306)
31 December 2009	(3,350)	(1,341)	(1,136)	(1,036)	-	(6,863)
Charge for the year	(1,242)	(2,171)	(692)	-	-	(4,105)
Translation adjustments	198	(89)	215	11	-	335
31 December 2010	(4,394)	(3,601)	(1,613)	(1,025)	-	(10,633)
Net book value						
31 December 2010	1,722	7,038	-	-	3,534	12,294
31 December 2009	2,322	6,376	512	-	3,495	12,705

Goodwill, customer relationships and acquired technology relate to the acquisition of Telit APAC which is included within the Asia Pacific geographical segment, and to the acquisition of One RF Technologies (subsequently renamed Telit RF) which is included within the EMEA geographical segment. The amount of goodwill attributable to the Asia Pacific segment is $3,202,000 (2009: $3,136,000) and $332,000 to the EMEA segment (2009: $359,000). The amount of customer relationships and acquired technology attributable to the Asia Pacific segment is $nil (2009: $512,000) and $nil to the EMEA segment (2009: $nil)

Capitalized development costs related to the UMTS/WCDMA and CDMA product lines and will be amortized over a three to five years period commenced in 2009.

The Group tests goodwill and intangible assets not yet ready for use for impairment annually, or more frequently if there are indications that they might be impaired.

Telit APAC and Telit RF are determined as the cash generating units for goodwill impairment testing purposes, being the lowest levels within the Group at which goodwill is monitored for internal management purposes.

11. INTANGIBLE FIXED ASSETS (continued)

The recoverable amount of Telit APAC has been determined based on a value in use calculation using cash flow projections based on financial budgets for a period of five years. The Group's five year cash flow forecast has been derived from the most recent financial budget approved by management adjusted for expected growth for the following 4 years, based on an average estimated growth rate of 17.5% (2009: 15%) per year.

The discount pre tax rate applied of 15% (2009: 17%) is based on the long term bond yield, issued by the government in Korea, adjusted for a country and industry risk premium to reflect both the increased risk of investing in equities and the systematic risk of Telit APAC.

The recoverable amount of Telit RF has been determined based on a value in use calculation using cash flow projections based on financial budgets for a period of five years. The cash generating unit's five year cash flow forecast has been derived from the most recent financial budget approved by management adjusted for expected growth for the following 5 years, based on an average estimated growth rate of 43% (2009: 51%).

The discount pre tax rate applied of 15% (2009: 15%) is based on the long term bond yield, adjusted for a country and industry risk premium to reflect both the increased risk of investing in equities and the systematic risk of Telit RF.

In developing its projections, management has had regard to its past experience and external forecasts of growth in the M2M industry. The key assumptions used in determining value in use are:

Revenue
Management has forecast revenue mainly considering external forecasts of growth in the M2M industry. An average growth rate of 16% per year over the next four years has been assumed for the entire m2m market.
Management has forecast changes in the average sales price based on past experience and external forecasts of changes in the selling price in the M2M industry.

Expected changes in operating costs
Management has forecast changes in operating costs based on the current and expected future infrastructure required to execute the assumed revenues.

EBITDA margins
EBITDA margins are expected to be in the range of 14.6%-18.5% over the four year period covered by the forecasts.

Sensitivity analysis on the carrying value of goodwill

If the estimated growth rate applied to the revenue forecasts of Telit APAC had been limited to only 50%, i.e. 8.75% and not 17.5%, the Group would still not recognise any impairment charge.

If the estimated growth rate applied to the revenue forecasts of Telit RF had been limited to only 50%, i.e. 21.5% and not 43%, the Group would have recognised an impairment charge for the entire goodwill of $332,000.

The Directors consider it unlikely that there will be any changes in key assumptions that would lead to an impairment loss.

11. INTANGIBLE FIXED ASSETS (continued)

COMPANY	**Trademark** **$'000**
COST	
1 January 2009	-
Additions	9,579
31 December 2009	9,579
Additions	-
Translation adjustments	(412)
31 December 2010	9,167
ACCUMULATED AMORTIZATION	
1 January 2009	-
Additions	(285)
Translation adjustments	(10)
31 December 2010	(295)
Charge for the year	(1,082)
Translation adjustments	9
31 December 2010	(1,368)
Net book value	
31 December 2010	7,799
31 December 2009	9,284

On 30 September, 2009 the Company purchased from its subsidiary the entire subsidiary's right, title and interest in the IP Rights for a purchase price of $9,579,000 which is equal to the fair market value of the IP Rights.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Computers $'000	Office equipment $'000	Vehicles $'000	Leasehold Improvements $'000	Total $'000
COST					
1 January 2009	1,918	8,770	84	803	11,575
Additions for the year	175	1,067	46	24	1,312
Disposals	(1)	(70)	-	-	(71)
Translation adjustments	63	379	2	11	455
31 December 2009	2,155	10,146	132	838	13,271
Additions for the year	429	1,060	77	113	1,679
Reclassifications	(79)	(28)	-	20	(87)
Disposals	(102)	(245)	(90)	(68)	(505)
Translation adjustments	(56)	(341)	2	39	(356)
31 December 2010	2,347	10,592	121	942	14,002
DEPRECIATION					
1 January 2009	(1,023)	(4,920)	(57)	(316)	(6,316)
Charge for the year	(350)	(1,477)	(14)	(81)	(1,922)
Disposals	1	-	-	-	1
Translation adjustments	(39)	(244)	(1)	(5)	(289)
31 December 2009	(1,411)	(6,641)	(72)	(402)	(8,526)
Charge for the year	(367)	(1,420)	(18)	(95)	(1,900)
Disposals	99	202	71	68	440
Translation adjustments	(5)	224	(4)	(21)	194
31 December 2010	(1,684)	(7,635)	(23)	(450)	(9,792)
Net book value					
31 December 2010	663	2,957	98	492	4,210
31 December 2009	744	3,505	60	436	4,745

13. INVESTMENT IN ASSOCIATED UNDERTAKING/ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2010	**2009**
	$'000	**$'000**
Balance at 1 January	669	669
Impairment loss	(437)	-
Translation adjustments	247	-
Amount reclassified to assets held for sale	(479)	-
Balance at 31 December	-	669

In January 2009 the Company entered into and executed agreement with its subsidiary - Dai Telecom Holdings (2000) Ltd subject to which the subsidiary purchased from the Company its holding rights in its associated company - Cell-Time Ltd for a consideration of $876,000, which reflected book value at that time. To finance the purchase the Company provided its subsidiary with a vendor loan for the entire amount.

In December 2010 Dai Telecom Holdings (2000) Ltd entered, together with the other shareholders of Cell-time, into a letter of Intent, for the sale of 100% of Cell-time's shares to a third party, at an aggregate consideration of $1.63 million. The Company's part in the expected consideration is $479 thousands. In accordance with that, an impairment of $437 thousands was recognised and the investment included in assets classified as held for sale.

The accounts of Cell-Time Ltd. are drawn up to 31 December 2010 for inclusion in the consolidated financial statements. The summarized financial information of Cell-Time Ltd is as follows:

	2010	**2009**
	$'000	**$'000**
Balance sheet		
Assets		
Current assets	2,464	2,199
Non-current assets	48	46
Total assets	2,512	2,245
Liabilities		
Current liabilities	2,112	2,069
Long-term liabilities	-	-
Total liabilities	2,112	2,069

	2010	**2009**
	$'000	**$'000**
Income statement		
Revenue	18,523	17,222
Cost of sales	(17,682)	(16,448)
Gross profit	841	774
Operating expenses	(637)	(704)
Financial expenses, net	(4)	(15)
Profit for the year	200	55

13. INVESTMENT IN ASSOCIATED UNDERTAKING/ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Details of the associated undertakings of the Group are as follows:

Name of company	Country of incorporation and operation	Type of shares	Effective ownership interest and voting rights	Principal activity
Cell-Time Ltd	Israel	Ordinary	29.33%	Development, marketing and operation of pre-paid billing systems of cellular phones

14. OTHER INVESTMENTS

GROUP

The Group held 19.9% of the ordinary share capital of SEM, a company providing integrated technological and logistical services for the high-tech electronics manufacturing market. The Group had a single representative on the board of SEM, with the remaining 5 directors appointed by the other shareholder and had no voting rights beyond those conveyed by its shareholding.

Fair value at the date of acquisition and until the disposal was €1,570,000 ($2,108,000). This was carried at deemed cost which was based on historic and projected multiples in earnings, revenues and net assets by reference to a basket of comparable companies for which information is publicly available. In doing so, assumptions were made that are not supported by prices from observable prices or rates. Financial information on which a fair value determination may be made was not fully available to the Group as the Group did not receive and did not have access to financial forecasts or monthly management accounts information and consequently the Directors did not consider there was sufficient information available to reliably determine the fair value and the investment was recorded at deemed cost. In July 2010 the Company sold its entire holdings in SEM, see also note 1(ab).

15. INVESTMENTS IN SUBSIDIARIES

COMPANY	Loans to subsidiaries	Investments in subsidiaries	Total
	$'000	$'000	$'000
Investment in subsidiaries			
1 January 2009	11,343	25,239	36,582
Additions	4,792	14,010	18,802
Repayments/Disposals	(13,441)	-	(13,441)
Provision for impairment	-	(4,322)	(4,322)
Translation adjustments	348	-	348
1 January 2010	3,042	34,927	37,969
Additions(a)	4,986	4,524	9,510
Repayments/Disposals(b)	(954)	(682)	(1,636)
Interest added to loan principal	77	-	77
Translation adjustments	(111)	-	(111)
Conversion of loan to equity(c)	(173)	173	-
Provision for Impairment(d)	-	(1,596)	(1,596)
31 December 2010	6,867	37,346	44,213

15. INVESTMENTS IN SUBSIDIARIES (continued)

(a) During 2010, the Group continued with the reorganization of its legal entity structure to provide a more simplified operational structure. This has led to an increase in the value of subsidiary investments held in respect of Telit Wireless Solutions Ltd and m2mapps GmbH. The investment in Telit Wireless Solutions Ltd transferred from Dai Telecom Holdings (2000) Ltd at fair value and the investment in m2mapps GmbH transferred from Telit Communications SpA at the book value. In addition the 16.67% held in Telit Communications Spain SL by Telit Wireless Solutions Inc. transferred to the Company at the book value. Out of the increase in the value of investment, an amount of $3,785,000 has been recorded in connection with the purchase of the non-controlling interests in Telit Wireless Solutions Srl. See also note 1(ab).

During 2010 the Company made additional loans to its subsidiaries as follows: $2,500,000 loan made to Telit Wireless Solutions Inc.; $500,000 loan made to Telit Wireless Solutions Co Ltd; $927,000 loan made to DAI Telecom Holdings (2000) Ltd to fund the acquisition from the Company of the 20% holdings in Dai Telecom Ltd; $149,000 loan made to Telit RF Technology S.A.S. and $910,000 loan made to Telit Communications Spain SL.

(b) The repayments in 2010 related to the repayment of $254,000 loan balance by Telit RF Technology S.A.S. and the deduction of $700,000 from the loan balance owed by Dai Telecom Holdings (2000) which was used to fund the Company's purchase of Telit Wireless Solutions Ltd from Dai Telecom Holdings (2000) Ltd.

During 2010 the Company had a disposal related to the sale of 20% directly held by the Company in Dai Telecom Ltd to its subsidiary Dai Telecom Holdings (2000) Ltd.

(c) At December 31, 2010 the Company converted part of an outstanding loan owed by Dai Telecom Holdings (2000) Ltd in the amount of $173,000 into 188 ordinary shares.

(d) At December 31, 2010 the Company's Investments in subsidiaries were assessed for indicators of impairment using the discounted future cash flow method. As a result the Company has recorded a provision for impairment on its investment in Dai Telecom Holdings (2000) Ltd in the amount of $1,596,000.

Details of the subsidiary undertakings of the Company at 31 December 2010 are as follows ([1] indicates that the entity is held directly by the Company; [2] indicates that the subsidiary is indirectly held;

Name of company	**Country of incorporation and operation**	**Type of shares**	**Effective ownership interest and voting rights**	**Principal activity**
Telit RF Technology S.A.S.[1]	France	Ordinary	100%	Development, manufacturing and selling short-range data products
Telit Wireless Solutions Srl[1] ("TWS")	Sardinia, Italy	Ordinary	100%	Intermediate holding company
Telit Communications SpA[2] ("Telit EMEA")	Italy	Ordinary	100%	Development, manufacturing and selling data products and distributing cellular products

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Country of incorporation and operation	Type of shares	Effective ownership interest and voting rights	Principal activity
m2mapps GmbH[1] (Previously Telit Wireless Solutions GmbH)	Germany	Ordinary	100%	Selling and marketing data products
Telit Wireless Solutions Inc. [1] ("Telit Americas")	United States of America	Ordinary	100%	Selling and marketing data products
Telit Communications Spain SL[1]	Spain	Ordinary	100%	Selling and marketing data products
Telit Wireless Solutions Tecnologia E Servicos Ltda[2]	Brazil	Ordinary	100%	Selling and marketing data products
Telit Wireless Solutions Co Ltd[1] ("Telit APAC")	Republic of Korea	Ordinary	90%	Development, manufacturing and selling data products
Dai Telecom Holdings (2000) Ltd.[1]	Israel	Ordinary	100%	Intermediate holding company
Telit Wireless Solutions Ltd. ("Telit Israel IL")[1]	Israel	Ordinary	100%	Selling and marketing data products
Dai Telecom Ltd. ("Dai Telecom")[2]	Israel	Ordinary	100%	Selling and marketing data products
Telit Labs Ltd [2]	Israel	Ordinary	100%	Dormant
Telit Wireless Solutions (Pty) Ltd. [2] ("Telit RSA")	Republic of South Africa	Ordinary	100%	Selling and marketing data products

16. INVENTORIES

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Finished goods	12,697	6,288	12,232	-	42	-
Raw materials	4,430	2,386	2,729	-	-	-
	17,127	8,674	14,961	-	42	-

The Directors consider that there is no significant difference between the net book value and replacement cost of stocks held. Inventories are stated net of provisions for slow moving and obsolete items of $830,000 (2009: $1,026,000).

17. RECEIVABLES

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$’000	$’000	$’000	$’000	$’000	$’000
Within current assets:						
Trade receivables	29,560	31,226	20,284	776	654	344
Other receivables	5,728	8,001	6,679	705	29	36
Due from Group undertakings	-	-	-	2,899	951	1,140
	35,288	39,227	26,963	4,380	1,634	1,520
Within non-current assets:						
Long term receivables	610	566	4,783	14	6	-

The average credit period on trade receivables that are neither past due nor impaired is 62 days (2009: 81 days). No interest is charged on trade receivables unless previously agreed with the customer. The Group has provided against receivables based on estimates of irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the Group’s trade debtors balance are debtors with a carrying amount of $9,199,000 (2009: $6,508,000) which are past due at the reporting date against which the Group has not made a loss provision as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 110 days (2009: 104 days).

	2010	2009	2008
	$’000	$’000	$’000
Ageing of past due but not impaired trade debtors			
1-30 days	4,626	3,284	2,564
30-60 days	1,078	1,360	452
60-90 days	687	741	1,162
90-120 days	2,808	1,123	685
	9,199	6,508	4,863

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Group’s trade receivables are stated after allowances for bad and doubtful debts, an analysis of which is as follows:

	2010	2009	2008
	$’000	$’000	$’000
At 1 January	1,601	1,129	433
Arising from acquisition	-	-	334
(Decrease)/increase in allowance recognised in profit or loss	(609)	418	426
Translation adjustments	(120)	54	(64)
At 31 December	872	1,601	1,129

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk in the Group’s continuing activities is limited due to the customer base being large and unrelated, but the management reviews carefully every past due amount in light of the global economic situation. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. There are no allowances for credit losses recorded against other financial assets.

18. OTHER FINANCIAL ASSETS

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Loans and receivables:						
Due from group undertakings	-	-	-	2,899	951	1,140
Other long term assets – note 17	610	566	4,783	14	6	-
Other receivables	5,114	7,099	6,010	571	-	-
	5,724	7,665	10,793	3,484	957	1,140
Available-for-sale investments carried at deemed cost:						
Non-current						
Shares in unlisted entities (note 14)	-	2,262	2,185	-	-	-
Assets outside the scope of IFRS 7:						
Current assets						
Other receivables	614	902	669	134	29	36

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets						
Investments in subsidiaries (note 15)	-	-	-	44,213	37,969	36,582
Investments in associates (note 13)	-	669	669	-	-	644
Total	-	669	669	44,213	37,969	37,226

Included within other receivables are amounts receivable in respect of the Group's grant claims amounting to $2,651,000 (2009: $5,352,000). These debtors do not have a specified date by which payment is due to the Group and hence no ageing information is provided. The directors have assessed the credit quality of such receivables and are satisfied that as such amounts are receivable from regional government body, no provision for losses is required.

19. CASH

The Group's cash resources are as follows:

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits – restricted cash	1,546	4,979	544	-	7,203	8,350
Cash and cash equivalents	13,521	11,378	6,428	499	4,571	881
Total	15,067	16,357	6,972	499	11,774	9,231

19. CASH (continued)

The Group's cash resources are denominated in the following currencies:

	Group			Company		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Sterling	87	3,784	462	87	3,784	462
Dollar	9,413	2,015	1,934	181	-	-
Euro	3,411	7,372	3,780	231	7,990	8,769
KRW	1,772	2,255	765	-	-	-
Other	384	931	31	-	-	-
Total	15,067	16,357	6,972	499	11,774	9,231

Cash and cash equivalents comprise cash held by the Group and short term deposits with an average period at inception until maturity of three months or less. The carrying amount of these assets approximates their fair value.

Restricted cash deposits are provided as security for Telit EMEA's borrowings and Telit US. These deposits attract interest at 1.75% and 0.75%, respectively, per annum, which accrues to the benefit of the Group. The deposits would only become available to the Group on cancellation of the Group's borrowing facilities (see note 27).

20. ALLOTTED SHARE CAPITAL

COMPANY AND GROUP	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**
Allotted, issued and fully paid:			
77,169,734 ordinary shares of 1 pence each (2009 and 2008: 72,514,281 and 44,514,281 ordinary shares of 1 pence each, respectively).	1,361	1,293	845

The Company has one class of ordinary shares which carry no rights to fixed income.
1,500,000 and 26,500,000 ordinary shares were issued in August and December 2009, respectively, for a gross consideration of £5.7 million.

On 20 May 2010, the Company allotted 1,703,578 ordinary shares of 1 pence each at a price of 29.35 Euro cents per ordinary share in consideration for a full settlement of a debt owed by the Company to its previously controlling shareholders.

On July 1 2010 the Company issued 2,700,000 ordinary shares as part of the consideration paid in connection with the purchase of the non- controlling interest in Telit Wireless Solutions Srl. See also note 1(ab) and note 3.

During 2010 251,875 options were exercised by employees into ordinary shares.

20. ALLOTTED SHARE CAPITAL (continued)

Share options

The number of outstanding options as of 31 December 2010 and at the date of this report was 10,764,458 and 10,719,458 equal to 13.95% and 10.62% respectively, of the outstanding share capital of the Company (12.24% of the outstanding share capital of the Company, on a fully diluted basis).

21. POST-EMPLOYMENT BENEFITS

A. Until 1 January 2007, employees of Telit EMEA received defined benefit pension arrangements under which employees were entitled to retirement benefits based on the accumulated contributions upon attainment of the retirement age or when leaving the company. Due to changes in applicable retirement and severance benefit legislation in Italy, existing entitlements at 1 January 2007 were frozen. For all new entitlements, employees can elect to have their entitlements paid into a group defined contribution plan or alternatively, into an Italian government defined contribution plan for private sector employees. The accrued benefit at 1 January 2007 is unfunded. The actuarial present value of this frozen defined benefit obligation, the related current service cost and curtailment loss were measured using the traditional unit credit method.

B. The Group's liability for severance pay for Israeli resident employees is calculated pursuant to the Israeli Severance Pay Law, based on the most recent salaries and term of employment, and is covered by payments to insurance companies and pension funds. Amounts accumulated in the insurance companies and pension funds are not included in the financial statements since they are not under the control and management of the Group. The accrued severance pay liability included in the balance sheet in respect of the Israeli resident employees represents the balance of the liability not covered by the above-mentioned deposits and/or insurance policies for which a fund is maintained (in the Group's name) as a recognised pension fund.

C. The amount included in the balance sheet arising from the obligations in respect of the defined benefit scheme of Telit EMEA and the accrued severance pay of Dai Telecom, Telit APAC are as follows:

	2010	2009
	$'000	$'000
Movement in post- employment benefit obligations		
1 January	2,925	2,515
Expense recognised in the statement of comprehensive income	570	614
Translation adjustments	(125)	100
Contributions	(464)	(304)
31 December	2,906	2,925

The liability in respect of accrued severance pay is $884,000 (2009: $911,000) and the charge to the statement of comprehensive income in the year is $240,000. The IAS 19 disclosures in respect of the Group's unfunded defined benefit obligations in Italy are detailed further in D and E below.

21. POST-EMPLOYMENT BENEFITS (continued)

D. Amounts recognised in the statement of comprehensive income in respect of the defined benefit scheme are as follows:

	2010 $'000	2009 $'000
Interest cost	84	96
Expense recognised in the statement of comprehensive income	72	201
Disposal	174	(45)
Total expense included in statement of comprehensive income	330	252

E. The amount included in the balance sheet arising from changes in the present value of the defined benefit scheme obligation for Telit EMEA are set out below:

	2010 $'000	2009 $'000
Present value of defined benefit scheme obligation		
1 January	2,014	1,822
Actuarial gain	72	201
Interest cost	84	96
Benefits paid	(176)	(128)
Disposal	174	(45)
Translation adjustments	(146)	68
31 December	2,022	2,014

F. Financial assumptions

	2010 %	2009 %
Discount rate	4.40%	4.60%
Expected salary increase rate	-	3.00%
Inflation	2.00%	2.00%

G. The experience adjustments arising on the plan liabilities at the balance sheet date, totaled $241,041 (2009: $205,860).

H. The expected contributions to be paid in 2011 total $175,805.

22. CURRENT LIABILITIES

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Short-term bank loans and other borrowings	12,413	19,359	15,939	-	-	-
Advances on receivables factoring	1,421	2,253	1,435	-	-	-
Current maturities of long term loans	1,083	549	1,222	-	-	696
Total short-term borrowing from banks and other lenders	14,917	22,161	18,596	-	-	696
Trade creditors (i)	22,199	25,968	15,504	257	596	103
Due to Group undertakings	-	-	-	6,807	9,988	1,027
Provisions	2,317	218	197	-	-	-
Deferred income	-	-	10,670	-	-	-
Other current liabilities	7,497	5,265	5,735	570	902	223
Total current liabilities	46,930	53,612	50,702	7,634	11,486	2,049

The directors consider that the carrying amount of short-term borrowings, trade payables and other current financial liabilities approximates to their fair value.

(i) The average credit period on purchases of certain goods is 76 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

23. COMMITMENTS AND CONTINGENCIES

Legal proceedings affecting continuing operations

A. In February 2010 a former employee of Dai Telecom Ltd. filed a claim with the Labor court in Tel-Aviv against Dai, Telit Israel and Telit Labs, claiming for wrongful dismissal and requesting a payment of $167 thousands, later reduced to $127 thousands. In the opinion of Company's management, based, inter alia, on the opinion of its professional advisors, it is not possible at this stage of the legal proceedings, to assess the chances of the claim.

B. In October 2009 the Israeli customs authority (the "**Authority**") began assessment proceedings regarding the value for the purpose of custom duties of products imported into Israel by Dai, while examining the need to add to the declared value of the products certain additions, for the period from 2005 to 2008. on 21st April 2010 an assessment (the "**Assessment**") was served on Dai, demanding additional import taxes due to two main issues:

1. An addition to the declared value of the imported products equal to the royalties paid by Dai to Telit Italy in connection with the use, by Dai, of the trademark and the tradename "Telit" (the "**Royalties Issue**") (this issue is apparently the major part in the assessment).

2. An addition to the declared value of the imported products equal to development fees paid to the Korean manufacturer of the products imported by Dai, while some of the development was carried out outside of Israel (the "**Development Fees Issue**").

23. COMMITMENTS AND CONTINGENCIES (continued)

The Assessment is composed of the following components:

1. Purchase tax regarding the Royalties Issue at the sum of $1.1 million.
2. Purchase tax regarding the Development Fees Issue at the sum of $135 thousands.
3. VAT: $1.6 million.
4. Interest and linkage differentials to the CPI: $824 thousands.
5. Penalty due to late payment: $1.2 million.

The VAT amount contained within the Assessment, if levied, could be deducted from ongoing VAT payments made by Dai.

` The Assessment does not detail the calculation of interest, linkage differentials and penalties.

The estimations of Company's management, based, inter alia, on the opinion of its professional advisors are as follow:

1. Dai has valid and strong arguments regarding its claim that the royalties should not have been added to the value of the products, and there is a strong likelihood that Dai's arguments will prevail.
2. Dai's arguments that a substantial part of the development fees need not have been added to the value of the products are valid and it is more likely than not that Dai's arguments will prevail.
3. The VAT portion of the Assessment could, in any case, and in whatever amount, be deducted from ongoing VAT payments made by Dai.

Dai Telecom Ltd also has the right to appeal the Assessment.

Operating lease commitments

C. The Group had total outstanding commitments for future minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Operating leases which expire:				
Within one year	1,598	1,674	571	573
In the second to fifth years inclusive	1,179	1,665	436	1,124
	2,777	3,339	1,007	1,697
Minimum lease payments under operating leases charged to the statement of comprehensive income for the year	1,710	2,266	820	846

Operating lease payments represent rentals payable by the Group for certain of its office properties.

23. COMMITMENTS AND CONTINGENCIES (continued)

Guarantees and liens

D. In 2010, the Company provided guarantees of up to $15 million to certain supplier of Telit EMEA, to sustain credit line to be granted by the supplier in respect of purchases made.

E. The Company provides guarantees to certain banks in Italy, Israel and Korea, to sustain credit lines granted by those banks to the Group's subsidiaries. The guarantees shall not exceed the amount of $17.4 million.

F. The Group has pledged in favor of BAMES, and to maintain such pledge in force until termination of the strategic alliance with BAMES on a quota equal to 3% of Telit Wireless Solutions Srl capital, it being understood that the rights to votes, dividends and/or other distributions will remain with the Company in respect of such quotas. On July 2010 the parties terminated all previous agreements and as such the Company is in a process to waive such pledge.

24. PROVISIONS

	2010	**2009**
	$'000	**$'000**
1 January	1,417	1,283
Utilized in the year	(1,010)	(71)
Provided in the year	4,145	205
Exchange differences	(97)	-
31 December	4,455	1,417
Classified as:		
Current liabilities	2,317	218
Non-current liabilities	2,138	1,199
31 December	4,455	1,417

The Group provides warranties on the sale of its M2M products for a period of 12 to 15 months. The Group has provided for the estimated cost of replacement or repair of those products on which it expects to receive warranty claims during that period. The actual cost of warranty repair is dependent on the number of returns during the warranty period and the nature of the repairs to be undertaken or the product replacement cost.

The Group is currently the subject of ongoing tax audits in respect of tax returns made in certain jurisdictions. The calculation of the Group's charges to taxation, including income tax, employment tax, sales taxes and other taxes involves the exercise of judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The probable outcome of the tax audits has been considered in determining the appropriate level of provision for such taxes. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances.

The Group is involved in various legal or other proceedings incidental to the ordinary course of its business. Management believes, based on the opinions of the legal advisers handling the different claims, that the provisions recorded in the financial statements in connection with said claims are sufficient under the circumstances , and that none of these proceedings, individually or in the aggregate, will have a material adverse effect on the Group's business, financial position or operating results.

25. OTHER LONG-TERM LIABILITIES

As at 31 December 2010 the Group had outstanding a €3.0 million interest rate swap that started on 10 January 2008 and has an end date of 10 January 2011. During 2009 the contract ending date changed to 12 January 2013. The Group pays a fixed rate of interest and receives floating. The fair value of the derivative has been determined to be $295,130 (2009: $317,864; 2008:$165,861). The fixed interest rate payable by the Group is Euribor + 1%.

26. SHARE-BASED PAYMENTS

On 2 April 2007 executives of the Company were granted 1,300,000 options to purchase approximately 3% of the Company's issued and outstanding shares at an exercise price of £0.43 per share. The options vest in two equal installments on 1 January 2008 and 2009 and expire five years from the date of grant.

On 10 July 2007 employees of Telit Italy, Telit Wireless Solutions Co., Ltd. ("Telit APAC") Telit Wireless Solutions Inc. ("Telit Americas"), Telit Wireless Solutions Ltd. and Telit Communications Spain S.L. were granted options to purchase approximately 3.4% of the Company's issued and outstanding shares at an exercise price of £0.60 per share. 100,000 options vest in two equal installments on 9 July 2008 and 2009 and 1,363,000 vest in three equal installments on 9 July 2008, 2009 and 2010. All options expire five years from the date of grant.

On 11 July 2007 Non-Executive Directors of the Company and consultants to Telit Italy were granted options to purchase approximately 3% of the Company's issued and outstanding shares at an exercise price of £0.60 per share. 1,100,000 options vest in two equal installments on 10 July 2008 and 2009 and 195,000 options vest in three equal installments on 10 July 2008, 2009 and 2010. All options expire five years from the date of grant.

On 2 April 2008, a grant of 35,000 options was made to an employee of the Group at an exercise price of £0.70 per share. The options vest over three years in equal annual installments.

On 29 January 2009 the majority of the options were cancelled by their holders, for no consideration. On the same date, executives, employees and consultants of the Company and its subsidiaries were granted 6,407,000 options to purchase approximately 14.4% of the Company's issued shares at the time, at an exercise price of £0.20 per share. The options vest in two or three equal annual installments starting from 29 January 2009 and expire five years from the date of grant.

On 25 May 2010 executives, employees and consultants of the Company and its subsidiaries were granted 2,201,000 options to purchase approximately 3% of the Company's issued and outstanding shares at the time, at an exercise price of £0.25 per share. The options vest in three equal annual installments starting from 25 May 2011 and expire five years from the date of grant.

On 30 June 2010 executives, employees and consultants of the Company and its subsidiaries were granted 2,704,000 options to purchase approximately 3.6% of the Company's issued and outstanding shares at the time, at an exercise price of £0.32 per share. The options vest in three equal annual installments starting from 30 June 2011 and expire five years from the date of grant.

26. SHARE-BASED PAYMENTS (continued)

The number of outstanding options as at 31 December 2010 was 10,764,458, equal to approximately 13.95% of the issued share capital of the Company.

The number and weighted average exercise prices of share options are as follows:

	Number		Weighted average exercise price (pence)	
	2010	2009	2010	2009
Outstanding at beginning of year	6,286,667	3,524,834	0.20	0.54
Granted during the year	4,905,000	6,407,000	0.29	0.20
Exercised during the year	(251,875)	-	(0.20)	-
Lapsed during the year	(175,334)	(3,645,167)	(0.21)	(0.53)
Outstanding at year end	10,764,458	6,286,667	0.24	0.20
Exercisable at year end	4,019,312	2,647,333	0.20	0.20

The Group recognised a total expense of $377,000 in respect of equity settled share based payment transactions for the year ended 31 December 2010 (2009: $561,000).

The fair value of these options has been calculated using the parameters set out below:
The weighted average fair value of options granted during the period determined using the Black –Scholes valuation model was £ 0.013 and £0.014 (2009: £0.0725).

The significant inputs into the model were share price of £ 0.29 and £ 0.33 (2008: £0.185) at the grant dates, the applicable exercise price for each grant , volatility of 60% (2009:60%), an expected vesting period of between two to three years, and an applicable five years risk-free interest rate at the grant date of 2.01% or 1.79% (2009: 2.043%). Expected volatility is estimated by considering historic average share price volatility.

27. BORROWINGS

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$ '000	$'000	$'000	$'000	$'000	$'000
Unsecured – at amortized cost						
Current maturities of long term loans	1,083	549	1,222	-	-	696
Other long-term loans	7,365	4,598	4,991	-	-	-
Total	8,448	5,147	6,213	-	-	696
Secured – at amortized cost						
Factoring companies	1,421	2,253	1,435	-	-	-
Short-term bank loans and other borrowings	12,413	19,359	15,939	-	-	-
Total	13,834	21,612	17,374	-	-	-
Disclosed in the financial statements as:						
Current borrowings	14,917	22,161	18,596	-	-	696
Non-current borrowings	7,365	4,598	4,991	-	-	-
Total	22,282	26,759	23,587	-	-	696

27. BORROWINGS (continued)

The other long-term loan includes $7.0 million represents the long-term element of a preferential rate loan from the Ministry of Trade and Commerce in Italy of $8.0 million with the remaining represents long-term element of other bank loans provided to the Group. The preferential rate loan provided in connection with the Group's business development program in Sardinia. The loan attracts interest at a rate of 0.75% and is repayable in ten annual installments that commenced on 20 March 2009 and ending on 20 March 2018.

Current borrowings include:

- The short-term element of the preferential rate loan from the Ministry of Trade and Commerce in Italy, amounting to $971,000 and the short term element of other bank loan provided to the Group in the amount of $112,000.
- Working capital of credit and borrowings mainly in the form of invoice advances totaling $12.4 million. These borrowings secured partially by letters of guarantee issued by the Company, see note 23. Additional available line of credit and invoice advance facilities at 31 December 2010 was $14.9 million.
- Factoring facilities against qualifying receivables totaling $1.4 million. These borrowings are secured against the factored receivables and are with recourse to the Company in the event that the receivables are not collected.

The Directors believe, based on the past performance of the relevant subsidiaries and the history of the relationships with the lending banks, that the credit facilities will remain available to the Company in the foreseeable future and that therefore the Company will be able to continue to fund its operations from these credit facilities. The Company's liquidity risks are discussed in note 28.

28. FINANCIAL RISK MANAGEMENT

Financial risk management is an integral part of the way the Group is managed. The Board establishes the Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

It is the Group's policy that no trading in financial instruments is undertaken.

In the course of its business the Group is exposed mainly to financial market risks and credit risks. Financial market risks are essentially caused by exposure to foreign currencies and interest rates and movements in the value of equity in unlisted securities held by the Group.

Foreign currency risk

The Group uses short-term borrowings from banks in the same foreign currency of those transactions to reduce the Group's exposure to foreign currency risk.

Foreign exchange exposure arises where the Group's companies transact in a currency different from their functional currency.

The carrying amount of the Group's monetary assets and liabilities at the reporting date, denominated in currency different to the functional currency of the entity in which such monetary assets and liabilities are held is as follows:

28. **FINANCIAL RISK MANAGEMENT** (continued)

	Assets			Liabilities		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Sterling	-	3,784	868	-	-	-
US Dollar	12,982	3,428	2,299	13,433	5,383	2,107
Euro	231	-	-	-	-	-
Other	76	-	-	-	-	-

The following table details the Group's sensitivity to a 10% change in US dollar against the respective foreign currencies. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and where US dollar strengthens against the respective currency.

	Group		
	2010	**2009**	**2008**
	$'000	**$'000**	**$'000**
Impact on profit or loss of a 10% change	(14)	183	106
Impact on profit or loss of a 20% change	(29)	366	212

The impact on equity would be equal and opposite to the impact on the profit or loss.

Interest rate risk

Interest rate risk comprises the interest cash flow risk resulting from short-term borrowings at variable rates. As disclosed in note 27, the Group's working capital is funded through short-term borrowings at variable rates of interest. Cash at bank earns interest at floating rates based on daily bank deposit rates. As a result, material fluctuations in the market interest rate can have an impact on the Group's financial results.

The sensitivity analysis below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1% change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 1% higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by $204,000 (2009: decrease/increase by $264,000); there is no material impact upon equity. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period due to the decrease in loan balances.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial assets that potentially subject the Company and its subsidiaries to concentration of credit risk consist principally of trade receivables.

28. FINANCIAL RISK MANAGEMENT (continued)

The Group's trade receivables are principally derived from sales to customers in Israel, Italy, the USA and Korea. The Group performs ongoing credit evaluations of its customers and to date has not experienced any material losses. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful from collection.

Credit risk associated with the Group's cash and cash equivalents and restricted cash deposits is managed by placing funds on deposit with internationally recognised banks with suitable credit ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk:

Maximum credit risk:

	Group			Company		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group						
Cash and cash equivalents	13,521	11,378	6,428	499	4,571	881
Deposits – restricted cash	1,546	4,979	544	-	7,203	8,350
Trade receivables	29,560	31,226	20,284	776	654	344
Due from Group undertakings	-	-	-	2,899	951	1,140
Other long term asset	610	566	4,783	14	6	-
Loan (or investment in) to subsidiaries	-	-	-	6,867	3,042	11,343
Guarantee provided to banks on subsidiary's borrowings	-	-	-	17,353	14,046	17,327

Activities that give rise to credit risk and the associated maximum exposure include, but are not limited to:

- making sales and extending credit terms to customers and placing cash deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets;
- granting financial guarantees to lending banks which may be called in the event of failure by a subsidiary to repay amounts due to the lending bank when due. In this case, the maximum exposure to credit risk is the maximum amount the entity would have to pay if the guarantee is called on, which may be greater than the amount recognised as a liability as at 31 December 2010 where such guaranteed borrowings were not fully drawn at that date;

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 27 are details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

28. FINANCIAL RISK MANAGEMENT (continued)

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

Group

	2010			2009			2008		
	Weighted average effective interest rate	**Less than 1 year**	**More than 1 year**	**Weighted average effective interest rate**	**Less than 1 year**	**More than 1 year**	**Weighted average effective interest rate**	**Less than 1 year**	**More than 1 year**
	%	**$'000**	**$'000**	**%**	**$'000**	**$'000**	**%**	**$'000**	**$'000**
Fixed rate	1.69%	3,665	7,003	0.75%	549	4,598	0.75%	526	4,991
Variable rate	3.91%	11,252	362	2.77%	21,612	-	4.58%	17,374	-
Non-interest bearing debt	-	-	-	-	-	-	-	696	-

Company

	2010			2009			2008		
	Weighted average effective interest rate	**Less than 1 year**	**More than 1 year**	**Weighted average effective interest rate**	**Less than 1 year**	**More than 1 year**	**Weighted average effective interest rate**	**Less than 1 year**	**More than 1 year**
	%	**$'000**	**$'000**	**%**	**$'000**	**$'000**	**%**	**$'000**	**$'000**
Non-interest bearing debt	-	-	-	-	-	-	-	696	-
Guarantees	-	17,353	-	-	14,046	-	-	17,327	-

Fair value of financial instruments

The financial instruments held by the Group are primarily comprised of non-derivative assets and liabilities (non-derivative assets include cash and cash equivalents, trade accounts receivable and other receivables; non-derivative liabilities including bank loans, trade accounts payable, other payables and other current liabilities). Due to the nature of these financial instruments, there are no material differences between the fair value of the financial instruments and their carrying amount included in the financial statements.

28. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted)in active markets for identical assets or liabilities
Level 2 – Inputs other than Quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010:

	Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**
Non-current financial liabilities			
Derivative financial liabilities	-	295	-

28. FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Current financial assets:						
Assets classified as held for sale	479	-	-	-	-	-
Cash and restricted cash	15,067	16,357	6,972	499	11,774	9,231
Trade receivables	29,560	31,226	20,284	776	654	344
Loans and receivables – other debtors		6,828	5,894	-	-	-
Loans and receivables – due from group undertakings	-	-	-	2,899	951	1,140
Assets not meeting the definition of a financial asset						
Inventories	17,127	8,674	14,961	-	42	-
Other debtors	5,728	1,173	785	705	29	36
Total current assets	67,961	64,258	48,896	4,879	13,450	10,751

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current financial assets:						
Available-for-sale investments	-	2,262	2,185	-	-	-
Loans and receivables	610	566	4,783	14	6	-
Assets not meeting the definition of a financial asset / outside the scope of IFRS 7						
Intangible assets	12,294	12,705	13,754	7,799	9,284	-
Property, plant and equipment	4,210	4,745	5,259	8	4	6
Investments in associated undertakings	-	669	669	-	-	644
Investments in subsidiaries	-	-	-	44,213	37,969	36,582
Deferred tax asset	3,574	455	763	-	-	-
Total Non-current assets	20,688	21,402	27,413	52,034	47,263	37,232

Investments in associated undertakings and investments in subsidiaries are accounted for in accordance with IAS 27 Consolidated and Separate Financial Statements and hence are outside the *IFRS 7 Financial instruments: Disclosure.*

28. FINANCIAL RISK MANAGEMENT (continued)

	Group			Company		
	2010	2009	2008	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities at amortized cost						
Short-term borrowings from banks and other lenders	14,917	22,161	18,596	-	-	696
Trade payables	22,199	25,968	15,504	257	596	103
Due to group undertakings	-	-	-	6,807	9,988	1,027
Other current liabilities	6,540	4,699	1,748	-	720	-
Liabilities not meeting the definition of a financial liability:						
Provisions	2,317	218	197	-	-	-
Other current liabilities	957	566	14,657	570	182	223
Total current liabilities	46,930	53,612	50,702	7,634	11,486	2,049
Non-current financial liabilities at amortized cost:						
Other loans	7,365	4,598	4,991	-	-	-
Financial liabilities at fair value through profit or loss						
Derivative financial instruments	295	318	166	-	-	-
Liabilities not meeting the definition of a financial liabilities / outside the scope of IFRS 7						
Post-employment benefits	2,906	2,925	2,515	-	-	-
Deferred tax liabilities	-	99	341	-	-	-
Provisions	2,138	1,199	1,041	-	-	-
Total Non-current liabilities	12,704	9,139	9,054	-	-	-

28. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity on page 38.

Gearing Ratio

The Group defines debt as both long and short term borrowings as detailed in note 27. Equity includes all capital and reserves of the Group attributable to the equity holders of the parent. The Group's gearing ratio at the year-end is as follows:

	Group		
	2010	2009	2008
	$'000	$'000	$'000
Debt	22,282	26,759	23,587
Cash and cash equivalents, including restricted cash	(15,067)	(16,357)	(6,972)
Net debt	7,215	10,402	16,615
Shareholders' equity	28,398	21,255	16,041
Net debt to equity ratio	25.4%	48.9%	103.6%

The Company is not subject to any externally imposed capital requirement.

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

GROUP

Transactions between the Company and its subsidiaries and associates represent related party transactions. Transactions with subsidiaries have been eliminated on consolidation.

Except as disclosed below, no material related party transactions have been entered into, during the year, which might reasonably affect any decisions made by the users of these Consolidated Financial Statements.

A. On 29 January 2009, after having waived their existing options, Messers Cats, Testa and Galai were granted 2,000,000, 1,000,000 and 200,000 options, respectively, at an exercise price of £0.20 per option. The options vest over a 2 years period, as follows: 925,000 (Mr. Cats), 700,000 (Mr. Testa) and 100,000 (Mr. Galai) of the options, respectively, were vested on the date of the grant with the remaining options vesting in 2 equal annual installments on January 29 2010 and 2011.

B. On 30 June 2010, Messers Cats, Testa and and Dafna were granted 1,100,000, 500,000 and 250,000 options, respectively, at an exercise price of £0.32 per option. The options vest in three year equal annual installments starting from June 30, 2011 and expire five years from the date of grant.

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Vested	Unvested	Expired	Total
Chairman of the Board	1,000,000	500,000	-	1,500,000
CEO	2,000,000	1,100,000	-	3,100,000
CFO	150,000	300,000	-	450,000
Total	3,150,000	1,900,000	-	5,050,000

The compensation attributable to the key personnel, calculated as the incremental fair value of the options to be expensed over the period of vesting, is $251,000 (2009: $67,000).

C. The following disclosures in respect of directors' remuneration should be read in conjunction with those included within the Directors' Remuneration Report:

	Group	
	2010	**2009**
	$'000	**$'000**
Share based payments	148	248
Directors' emoluments	2,125	1,521
Company contributions to money purchase pension plans	162	106
Total	2,435	1,875

D. Mr. Cats directly holds 3,110,357 Ordinary Shares, representing 4.03% of the issued share capital of the Company. Mr. Cats also holds 50% of the issued share capital of Boostt B.V. ("Boostt"). Boostt holds 15,600,000 Ordinary Shares, representing 20.22% of the issued share capital of the Company. The other 50% of Boostt is held by Wireless Solutions Management S.L., formerly Franco Bernabe & T SL and Techvisory S.A. (together, the "Techvisory Group"), which holds an additional 1,250,000 Ordinary Shares, representing 1.62% of the issued share capital of the Company. Mr. Enrico Testa, chairman of the board of the Company is also a director of the Techvisory Group.

Mr. Cats has certain voting understandings with certain members of the Techvisory Group. Therefore, the Techvisory Group, Mr. Cats, Mr. Massimo Testa and Mr. Enrico Testa are, in aggregate, interested in 19,960,357 Ordinary Shares, representing 25.87% of the issued share capital of the Company.

COMPANY

Related party transactions between the Company and its subsidiaries and associates are summarized below:

(a) Accounts receivable - See note 17.

(b) Accounts payable - See note 22.

(c) Trading transactions

	2010	**2009**
	$'000	**$'000**
Cost of sale - purchases from subsidiary	501	1,137

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

(d) Loans receivable – See note 15.

(e) Financing transactions

The Company has provided an unlimited guarantee to a supplier of Telit Brazil covering all of Telit Brazil's undertaking to said supplier according to the agreement between these parties.

The Company provides guarantees to certain banks in Italy, Israel and Korea, amounting to $17.4 million (2009: $14.05 million).

At the balance sheet date the Company had deposited $nil million (2009: $7.2 million) in Italian bank accounts, to act as security in relation to the credit facilities granted by those banks to Telit EMEA.

30. INFORMATION ON THE COMPANY

As permitted by the Companies Act 2006, the profit and loss account of the Company is not presented in this Annual Report. The loss for the year amounted to $1,113,000 (2009: loss of $7,903,000).

31. SUBSEQUENT EVENTS

A. On 16 February 2011 the general meeting of the Company's shareholders approved a placement of 23,793,750 new ordinary shares at 80 pence each to raise approximately $30 million (£19.0 million) before issuance expenses. The raised money used to fund the acquisition of Motorola Solutions' m2m modules business.

B. On March 1, 2011 the Company's subsidiary Telit Wireless Solutions Ltd ("Telit Israel) completed the acquisition of Motorola Solutions' m2m modules ("Motorola m2m") business and assets from Motorola Israel Ltd., a subsidiary of Motorola Solutions Inc for a sum of $22.5 million excluded VAT. Motorola m2m specialist in the design, development, integration, evaluation and deployment of m2m applications worldwide and offers a variety of m2m modules for wireless technologies. The Company's directors believe that the acquisition of Motorola m2m will strengthen Telit's strong position within the industry.

Under the terms of the Asset Purchase Agreement, the assets and liabilities in the transaction include:

- all rights relating to the existing product portfolio and customer database of the business;
- other assets related to the business including equipment, inventory and trade account receivables;
- warranty liability in relation to products already sold by the business (such warranties typically having a duration of 15 months);
- a perpetual license of a certain Motorola software (known as P2K) used across some of the product portfolio (entered into with Motorola Mobility, Inc.); and
- 33 employees. A majority of the employees are located in Israel, with the remaining employees located in the U.S., the U.K. Germany, Brazil and Singapore.

31. SUBSEQUENT EVENTS (continued)

No assessment of the fair values of the assets and liabilities acquired has yet been completed due to the proximity of the transaction completed compared to the finalization of these financial statements. The book value of the assets purchased is as follows:

	Book value
	$'000
Accounts receivable, net	9,651
Inventory	3,343
Property, plant and equipment	1,385
License	1,000
Total identifiable assets	15,379
Consideration paid	22,530
Excess of cost	7,151

Company Information

Directors, Secretary and Advisers

Company Registration No. 05300693

Directors	Enrico Testa, Chairman Oozi Cats, Chief Executive Officer Yariv Dafna, Chief Financial Officer Amir Scharf, Independent Non-Executive director Andrea Mandel-Mantello, Independent Non-Executive director Alexander P. Sator, Non-Executive Director
Company Secretary	Michael Galai
Registered Office	7th Floor, 90 High Holborn, London WC1V 6XX
Nominated Adviser and Broker	Investec Bank Plc
Solicitors	Olswang 7th Floor, 90 High Holborn London WC1V 6XX
Independent Auditors	KPMG Audit Plc Chartered Accountants 8 Salisbury Square, London EC4Y 8BB
Registrar	Capita Registrars Limited The Registry 34 Beckenham Road, Beckenham, Kent BR3 4TU

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