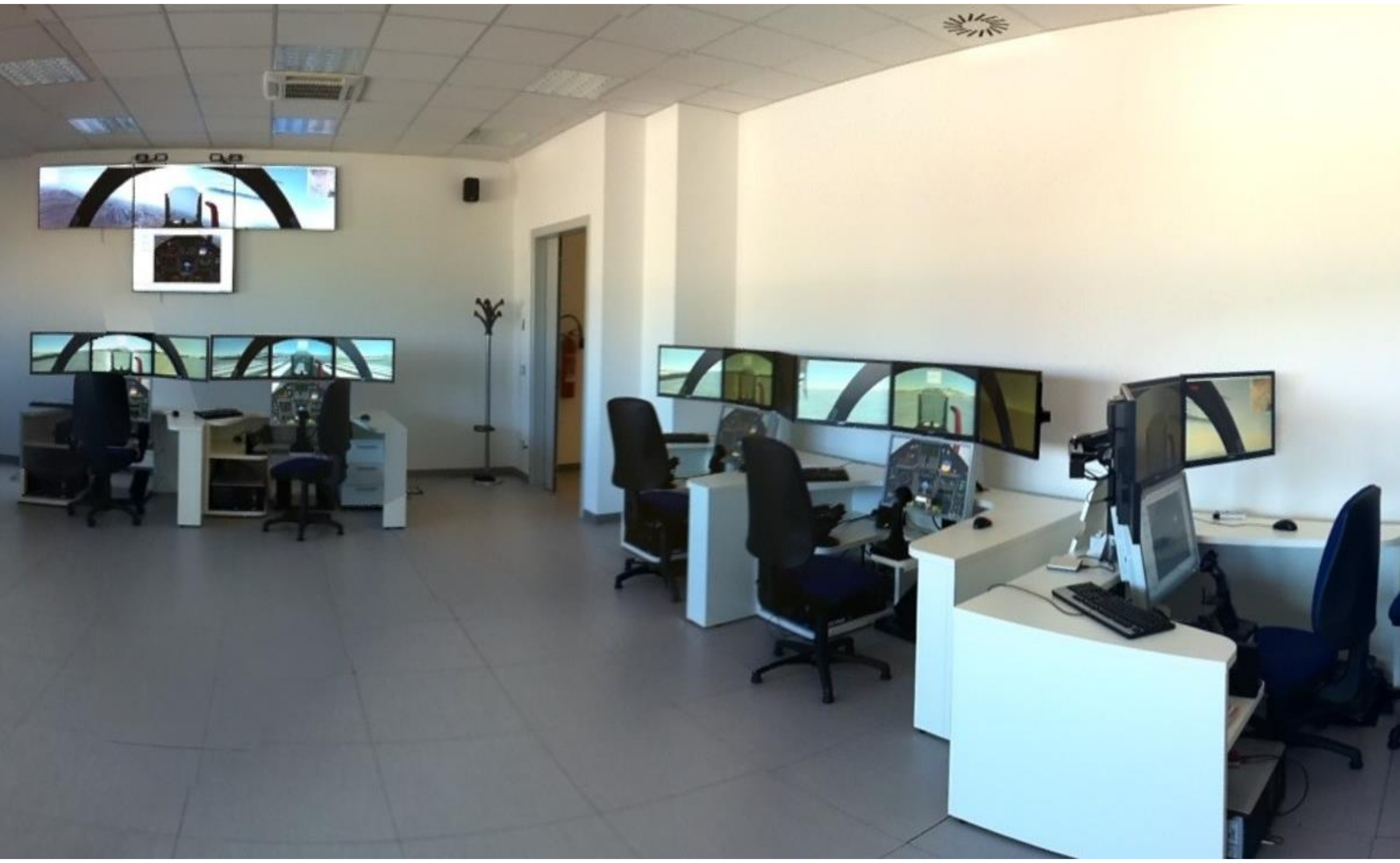
TAKING DISTRIBUTED TRAINING SIMULATION PERSONALLY

'14

2014 ANNUAL REPORT

SIMIGON



About SimiGon

SimiGon (AIM: SIM) is a leading developer and supplier of distributed simulation solutions for defence and civilian applications. SimiGon is the creator of SIMbox, a leading PC-based platform for creating, managing and deploying simulation-based content across multiple domains. Through its off-the-shelf training solutions for demanding high-skill occupations, SimiGon provides diverse organizations with faster and more cost-effective training. SimiGon's growing client base includes blue-chip training and simulation systems providers as well as over 20 air forces and commercial airlines worldwide. Founded in 1998, SimiGon maintains offices in Israel and the United States.

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TAKING DISTRIBUTED TRAINING SIMULATION PERSONALLY

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

Financial Highlights

- Net profit increased by 51% to $1.36 million (2013: $0.90 million)
- Revenues increased by 2% to $8.32 million (2013: $8.17 million)
- Gross margin of 76% (2013: 75%)
- Basic and diluted EPS of $0.03 (2013: $0.02)
- Annual dividend declared at 0.6 cents per share

Operational Highlights

New major awards:

- Awarded additional three years maintenance and support contract worth $0.8 million for major European customer;
- Signed new license agreement with Corporacion de Alta Tecnologia para la Defensa (Codaltec), a leading Latin American high technology corporation;
- Selected by the University of Central Florida (UCF), the second largest university in the U.S and an internationally recognized academic leader in the field of modeling, simulation and training;
- Signed Chinese civil aviation training agreement, initially worth $0.75 million

Delivering on all long term contracts:

- Delivering on project milestones on $6.7 million contract awarded in June 2013;
- Now in our seventh year supporting Lockheed Martin's F-35 Lightning II Joint Strike Fighter training program (JSF);
- Entered the sixth year of supporting the UK Military Flying Training System;
- In the sixth year of a long-term contract to provide training simulations for a strategic European aircraft manufacturer;
- In the fourth year of a contract with Check-6, the Company's first major contract outside the aerospace and defence industry;
- Now in our second year of supporting U.S. Air Force Air Education Training Command on its T-6 Modular training Devices.

LEVERAGING GROWING MARKETS FOR PERSONAL TRAINING & SIMULATION

Organizations recognize the need for more Simulation and Training as militaries adjust to reduced live training events.

Key Trends

Growth in the training and simulation market will continue due to training requirements, training methodologies, cost savings and advances in technology.

The 2015 military training and simulation market is valued at US$10.4 billion and is expected to reach US$15.8 billion by 2025.

There are numerous trends in the military and civilian training and simulation market providing optimism for the industry.

Growth in this market is attributed primarily to military and civilian flight simulators, the need for networked training among troops and the growing training requirements for Unmanned systems in air, ground and naval domains.

Defense budget cuts have led militaries to transition from traditional and costly live exercises to utilizing affordable simulators. For example, the cost savings for using a big simulator versus an aircraft ranges between 5 to 20 percent.

In light of today's harsh fiscal environment, the training and simulation industry is viewed by militaries worldwide as vital in maintaining troop readiness. While experts agree live training has no equal, the benefits of using simulators for procedural training are recognized and well documented. Task intensive skills honed in simulators translate well to the aircraft, submarine, tank or any other system.

Another trend in the industry is stemming from the need to provide advanced training along with cost savings is Live, Virtual and Constructive (LVC) simulation training. LVC is comprised of live soldiers training on their real-life platforms together with simulation and computer models to create a comprehensive virtual environment. Driven by requirements from the armed forces, LVC is an underlying factor in new technological development and opportunities for the modelling and simulation industry.

With budget cuts affecting the number of available instructor personnel, the need for training solutions that can support personal training is significant. An Intelligent Tutor capability allows trainees to learn at an individual pace while adjusting to each individual's learning style, an important capability for training anyone, let alone "millennials".

Government agencies and corporations worldwide continue to seek advanced training technologies and solutions to support their operations. Today's well-informed organization meticulously researches available solutions to meet personal and team or crew training requirements.

SimiGon's comprehensive technologies, solutions and services meet market requirements providing added-value through improved training efficiencies, training analytics and cost-effective, saving significant time and money.

Growth Opportunities in the Market

There are numerous growth opportunities for SimiGon in the training and simulation market.

As the simulation based training technologies and solutions provided by SimiGon and its partners are increasingly recognized as one of the best ways to train and achieving proficiency in a particular skill or system, there is corresponding demand.

Opportunities range from SimiGon's traditional military aviation training niche to additional military customers as well as commercial aviation, petrochemical and many other vertical markets where SimiGon technologies and know-how can be successfully leveraged.

The global military aircraft market, according to Stragic Defence Intelligence, is expected to be worth US$61.2 billion in 2015, and grow to US$87.5 billion by 2025. The US is anticipated to be the largest spender with a cumulative expenditure of US$260.9 billion over the next decade. As the cost to train pilots increases, estimated at approximately $6 million per fighter pilot, cost-effective interactive, virtual training technologies will be increasingly adopted.

Leveraging Growing Markets
For Personal Training & Simulation (Cont.)

Unmanned Aircraft Vehicles (UAV) is an emerging military and commercial aircraft subsector with considerable growth potential. The Teal Group estimates the total value for the government and civilian UAV market will be worth $91 billion by 2024. The US DoD budgeted about $5 billion on unmanned systems in fiscal 2015, the vast majority for UAVs. There are nearly 1,000 active-duty pilots for the Predator and Reaper UAVs alone, though more than 1,200 such pilots are needed. The USAF currently trains about 180 remotely piloted aircraft operators a year, but needs about 300 of them and loses about 240 due to attrition.

Opportunities in the commercial UAV training sector will grow due to emerging UAV operator requirements from government agencies such as the US Federal Aviation Administration (FAA). As many as 100,000 new jobs will be created in the first 10 years after unmanned aircraft are cleared for U.S. airspace, according to a 2013 report from the Association for Unmanned Vehicle Systems International.
Companies such as Amazon and Facebook, as well as defense contractors are looking for pilots and engineers with unmanned aircraft experience.

The Civilian aviation market continues to be a force in simulation market opportunities with almost 37,000 commercial airplanes forecast to be produced over the next 20 years, valued at $5.2 trillion. Along with the new aircraft, there is a significant need to train new commercial airline pilots, expected to reach more than 530,000 over the next 20 years.
Along with the aircraft, there is also demand for 584,000 new maintenance technicians to maintain the world fleet over the next 20 years.

SimiGon, with its industry leading technology, successfully honed in the military aviation market, is poised to capture this opportunity. The Company's training methodologies, solutions and services receive high grades from customers and partners for training pilots faster and more effectively at a lower cost.
The Company expects to build on this track record of success to compete and win new contracts in the civilian sector, including training products and services for commercial aviation to increase company growth.

According to Education Week, the Education Market subset of eLearning is valued at $91 billion. The potential of further leveraging SimiGon technologies for vertical markets exist in many disciplines, ranging from soft skills required in leadership and decision making training, IT application training and customer service, to procedural skills required for power plant operators, crane operations, driving and medical fields. Organisations and operators in these domains require the advanced, training and simulation management systems and services provided by SimiGon to reach and maintain high levels of operational skill.

GETTING PERSONAL WITH DISTRIBUTED SIMULATION SOLUTIONS

SimiGon's comprehensive portfolio of off-the-shelf solutions – including a state-of-the-art simulation platform and range of compelling products – "closes the knowledge gap" for professional users. At the same time, SimiGon's flexible solutions are easily integrated either by customer organizations or third-party systems integrators for both military and civilian applications.

SIMbox

SimiGon is the creator of SIMbox, a leading PC-based platform for creating, managing and deploying simulation based content across multiple domains including training, mission debriefing, homeland security and entertainment. SIMbox is a flexible, off-the-shelf 3D simulation engine comprised of a wide array of software modules that empowers users to create an unlimited range of new products and content. Built from the ground up as a robust and flexible platform, SIMbox has been deployed successfully by large training and simulation systems providers, leading military contractors, and over 20 air forces and commercial airlines worldwide. SIMbox is comprised of three main environments:

- SIMbox Toolkit development environment: SIMbox Toolkit is an easy-to-use development suite, empowering non-programmers to create, reuse and control simulation-based applications.
- SIMbox Server management environment: SIMbox Server which serves as the Learning Management System (LMS), contains various software modules used for configuration management of developed content, control over content distribution, data gathering from end users, and data analysis and report generation.
- SIMbox Runtime delivery environment: SIMbox Runtime provides hi-fidelity 3D distributed simulations that place the user in a virtual or constructive environment with numerous viewpoints for both military and civilian applications.

Major Existing COTS products under SIMbox

- Fully Functional F-16 Training Device
- T-6 Flight Training Device
- Cessna Caravan Training Device
- Sensor Operator Training System

KnowBook™ Family

KnowBook is a family of PC-based COTS training applications used by leading organisations for training professional users.

KnowBook provides a common platform for learning, training, planning and debriefing.

The key members of the KnowBook family are:

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

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

AirTrack™

AirTrack represents the next generation of passenger in-flight entertainment (IFE) solutions. Successfully installed and operational on airlines worldwide, AirTrack is a cost-effective, rapidly deployable solution for airlines seeking to upgrade their IFE systems. Based on advanced SIMbox technology, the system's capabilities include hi-fidelity 360º 3D simulation views, moving maps, external plane views, dynamic media, and real-time flight data and news. AirTrack is provided with an easy-to-use, PC-based software configuration tool that enables airlines to independently and rapidly customize and upload in-flight content based on specific needs.

Debriefing Systems

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

Air Traffic Control

SimiGon's successfully deployed Air Traffic Control training solution includes instructor operator stations, virtual pilots, voice recognition and the ability for instructors to modify training sessions in real time. The systems are used by ATC instructors to train new controllers in guiding aircraft through take-off and landing procedures as well as for recurrent and operational training. The Company aims to leverage its success in this market to compete for additional military and civilian ATC training contracts.

SHARING PERSONAL MESSAGES FROM CORPORATE LEADERSHIP

Chairman & CEO Reviews

Chairman's Statement

I am proud to report SimiGon's fourth consecutive year of revenue growth and strong increased profits.

In 2014, SimiGon made further strides in its key objectives to become a major prime contractor, reaching new geographic regions and enhancing its technologies and solutions offerings to solidify SimiGon's reputation as a market leader and partner of choice for the world's largest simulation training programmes. The successful execution of this strategy and the strong foundation in place will allow the Company to continue to leverage this experience into sustainable revenue and growth.

The Company has continued to meet project milestones for long term contracts on time and on budget, executing delivery and performance of its systems including delivering on project milestones on the $6.7 million contract announced in June 2013. The expansion beyond aerospace and defence and into the oil and gas sector has resulted in significant revenue derived from business with Check-6, SimiGon's first major contract outside the aerospace and defence sector.

Further to the Company's declared intention to pay an annual dividend to its shareholders and in light of its strong cash position, the Board has decided to pay a dividend of 0.6 cents per share, equating to approximately 22% if the Company's earnings per share.

The required pillars for long term, sustainable growth are in place, based on our ability to create and maintain partnerships, be a prime contractor and expand into new territories and vertical markets. I look forward to seeing the Company's order book and encouraging business pipeline driving further progress in 2015.

On behalf of the board, I would like to thank the management, employees and all those involved and associated with SimiGon for their hard work over the last few years and their continued commitment in 2015 and beyond.

Alistair Rae
Chairman

Chief Executive's Review

We are delighted to announce another year of strong growth in profitability and increased revenue as a result of achieving milestones set out in our growth strategy. SimiGon has continued to expand into new territories, secure significant new contracts and further cement its role as a prime contractor as it continues to provide a highly valued solution to our customers. Generating sales from the successful delivery of key projects and winning new strategic contracts, we are very pleased with our strong performance in 2014

Looking ahead, we will continue to leverage our leading position and our improved global footprint to build new partnerships, expand our customer base, and target even larger contracts. SimiGon has excellent revenue visibility based on our long term contracts and a strong order book in place. As a result the board enters 2015 with increased confidence in delivering continued year-on-year growth and viewing the future with confidence as demonstrated by the Company's continued annual dividend distribution.

Overview

SimiGon is pleased to report another year of strong growth in profitability and increased revenue, both as a result of new business being won within the period and an increase in recurring revenues from existing strategic partners. The Company's net profit increased by 51% to $1.36 million (2013: $0.9 million) and revenues increased by 2% to $8.32 million as compared to $8.17 million in 2013

SimiGon's ability to capture a share of the largest global simulation and training projects has enabled the Company to increase its strategic business scope and potential revenue. Chief among these initiatives is competing as a prime contractor for multiple government contracts in the defence sector. As a prime contractor, aside from larger contracts, by interfacing directly with the customer, the Company has another opportunity to build a long term relationship with the end user.

As stated at the time of the interim results, the Company delivered a strong performance for 2014 and has a bedrock foundation for 2015 and beyond.

SHARING PERSONAL MESSAGES FROM CORPORATE LEADERSHIP (CONT.)

Our market position as a preferred supplier for simulation and training technologies and solutions has been solidified by our work this past year.

The revenue mix of new contracts and support contracts, along with a growth strategy, means that the tools are in place to build a larger business. The Company believes it is well positioned for immediate and long term growth.

SimiGon continues to focus on developing further strategic programs that will assist the Company's long term growth. Our ability to grow business and bolster our strong financials is demonstrated by greater revenue visibility and our robust pipeline of new opportunities for 2015 and beyond.

Operational Review

During the year, SimiGon strengthened its position as the provider of choice for large simulation training programs. The Company continues to be a leading supplier of training and simulation technologies for the world's largest military flight training programmes while expanding into vertical markets such as military and civil aviation training. In positioning itself as a prime contractor for major, long term simulation training and services programmes, SimiGon's market reach has expanded to new areas while its technologies continue to lead the industry.

As a prime contractor, SimiGon benefits from a direct relationship with the customer which gives us increased visibility of the market and long term revenues while affording valuable insight into new and potentially significantly larger opportunities. This places SimiGon in the spotlight for some of the industry's largest simulation training contracts with the Company now targeting programs far larger than had previously been possible.

SimiGon has enhanced its prospects for securing new contracts by further diversifying its training products and services by entering new markets, such as the rapidly growing civil aviation market in China.

Major Training systems deliveries as prime contractor

SimiGon is currently fulfilling training system deliveries milestones under the $6.7 million contract announced in June 2013. This contract was a milestone contract for the Company in terms of the value of the order and the location.

The Company expects that its performance under this contract will lead to subsequent contracts with the customer.

Expanding into civil aviation market

SimiGon announced in February 2014 that it had successfully entered the civil aviation training services market with a joint venture (JV) agreement with a leading Chinese aviation services company.

The initial contract valued at $0.75 million, will provide the new entity with SimiGon's SIMbox technology for developing its training solutions.

SimiGon has identified the civil aviation market as a long term growth driver. With China's well known burgeoning civilian aviation market, this JV is an ideal entry point for SimiGon in this attractive sector and region.

New major contracts

SimiGon signed a new license agreement with Corporacion de Alta Tecnologia para la Defensa (Codaltec), a leading Latin American high-technology corporation, as announced in September 2014. Codaltec was formed in August 2012 by the Colombian Government to meet the defense sector's needs, including training and simulation for her armed forces.

Codaltec has agreed to extend its original agreement with SimiGon and purchase additional software licenses to support its numerous training programs. The partnership is evidence of how companies adopt SimiGon's technology to rapidly develop and deliver a higher quality training and simulation solution for their customers. It is another significant endorsement for SimiGon and a milestone in this growing relationship.

SimiGon strengthened its relationship with a major European customer in August 2014 when it announced a three year agreement valued at $0.8 million to provide additional maintenance and support services for the customer's simulation training centers.

Long term contracts

The Company has a growing portfolio of long term partnerships that continue to blossom into further business and provide good revenue visibility. Many of these partnerships are expected to continue with additional purchases in 2015.

SHARING PERSONAL MESSAGES FROM CORPORATE LEADERSHIP (CONT.)

The Company is now in its seventh year of supporting Lockheed Martin's JSF training program. Additional licenses and ongoing maintenance support agreements are part of the ongoing, long term partnership.

SimiGon is now in its sixth year supporting the UK Military Flying Training System. The Company continues to deliver under this long term contract, exceeding partner and customer expectations of SimiGon's technologies and their performance.

SimiGon's partnership with Check-6 Inc., one of the leading providers of training solutions to the energy and mining industries, is also blossoming into long term, recurring revenue. Throughout this contract, SimiGon has successfully executed against its agreed deliverables. As a result, the Company is confident the partnership will be extended with additional agreements.

In October 2014, SimiGon secured maintenance and support contract from the USAF for the SIMbox based T-6A Modular Training Devices it delivered as part of a June 2011 contract. This support contract demonstrates the long term nature of the relationship with this strategic customer. SimiGon expects this relationship to continue to evolve.

SimiGon maintains its close relationship with a major existing European customer that it has been working with since 2009. Following additional orders, received during 2014, the Company is confident that this relationship will continue and lead to additional orders in the future.

Annual dividend declaration

In light of the strong cash position and further to the Company's declared intention to pay an annual dividend, the Board intends to pay a dividend of 0.6 cents per share, equating to approximately 22% of the Company's earnings per share. The dividend will be payable on Friday, 29 May 2015. The record date of payment of the dividend will be Friday, 8 May 2015. The ex-dividend date will be Thursday, 7 May 2015.

In line with the Israeli tax ordinance and regulations, the dividend payment will be subject to 25% withholding at source unless reduced by a relevant tax treaty.

In this regard, shareholders, who have a tax withholding exemption or reduced withholding tax rate from dividend payments obtained from by Israeli Tax Authorities, should present and deliver it to the Company, together with the contact details of their stock broker, no later than the end of the business day of Wednesday, 6 May 2015.

Financial Performance

Revenue for the year ended 31 December 2014 was $8.32 million, compared to $8.17 million in 2013, an increase of 2%. In terms of regional breakdown, 50% of SimiGon's revenues came from North America (2013: 62%), 14% from Europe and the Middle East (2013: 17%) and 36% from the Far East (2013: 21%).

Net profit for the fiscal year increased by 51% to $1.36 million (2013: profit of $0.90 million).

Total operating expenses for the year decreased by 2% to $5.02 million (2013: $5.10 million). Research and development expenses were $2.38 million (2013: $2.40 million) reflecting SimiGon's continued investment in its product development. Sales and marketing expenses decreased by 12% to $1.46 million (2013: $1.65 million) mainly due to a decrease in salary and related benefits expenses and general and administration expenses increased to $1.18 million (2013: $1.05 million) mainly due to professional fees.
The operating profit therefore is $1.31 million (2013: $1.0 million) and the net profit is $1.36 million (2013: $0.9 million). This resulted in an increase in net basic and diluted earnings per share of $0.03 (2013: $0.02).

Outlook

SimiGon has cemented its position as a prime contractor for major, long term simulation training programmes, expanded into new territories and diversified its offering. As a result of achieving millstones set in its growth strategy, the Company continues to deliver strong growth in profitability and increased revenue.

With excellent revenue visibility as a result of our long term contracts and a strong forward order book, the board enters the current financial year with increased confidence in delivering continued year-on-year growth as demonstrated by the Company's continued annual dividend distribution.

Amos Vizer
President & CEO

DISPLAYING PERSONAL COMMITMENT TO ORGANIZATIONAL SUCCESS

Board of Directors

Alistair Rae, Non-Executive Chairman
Alistair is currently chief executive of LTG Technologies Plc, an AIM traded company, having been a non-executive director from 2002 to 2005. He was the group finance director of Jarvis Plc from 2004 to 2005, guiding the company through a period of reconstruction. Prior to this he was a director in the corporate finance department of HSBC Investment Bank from 1996 to 2002, and before that he worked in corporate finance at Cazenove for ten years in the UK and the Far East. Alistair qualified as a chartered accountant with KPMG.

Eitan Cohen, Non-Executive Director
Eitan Cohen is a Co-Founder and Chief Executive Officer of ASIC Depot OOD an EDA and Semiconductor design centre. Eitan previously held positions as CEO and Country manager for Semiconductor and EDA companies, in which he led to the award of multi-million dollar deals with tier-one companies and managed business development activities with potential partners worldwide.

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

Nevat Simon, Independent Non-Executive Director
Nevat has practiced as a certified public accountant in his own accounting firm since 1991, providing both accounting and other financial services to the firm's clients. He has previously served on the board of Sprint Investments Ltd. and Multimetrics Ltd., both publicly listed companies on the Tel Aviv Stock Exchange, and on the board of a number of private companies. Nevat has a BA in accounting and marketing from the Business College of Management in Tel Aviv and has been a member of the Certified Public Accountant Council in the Justice Department of the State of Israel since 1991.

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

Dr. Vered Shany, Independent Non-Executive Director
Since March 2002, Vered has managed Tashik Consultants, providing strategic consulting and corporate analysis in the life sciences sector. Previously, Vered served as managing director of Up-Tech Ventures Ltd., as a member of the board of directors of the Weizmann Science Park Incubator, and as vice president of marketing for Arad Technological Incubator. Prior to that, she was business and marketing manager of Medun Ltd., a medical start-up company, from 1995 to 1998. Vered received her masters' degree in business administration from Heriot–Watt University, Edinburgh Business School, and gained her doctorate of medical dentistry and her B.Med.Sc. from the Hebrew University of Jerusalem.

DISPLAYING PERSONAL COMMITMENT TO ORGANIZATIONAL SUCCESS (CONT.)

Management

Amos Vizer, President & CEO

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Roger Torres - Director, Programs

Mr Torres joined SimiGon's Programs team in 2011. He has over 14 years of management experience, primarily with Aerospace, Department of Defense (DoD), and Courseware Development programs. Prior to program management Mr. Torres was a pilot, and flew charter, corporate, and commercial operations world-wide. He holds several certificates and ratings from the aviation industry, including Flight Instructor, Flight Engineer, and Airline Transport Pilot. Mr. Torres has a Bachelor in Vocational Education and a Master's in Aeronautical Science.

Hagai Pichovich - VP, R&D

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

Alon Shavit, VP Business Development

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

Koby Ben Yakar, VP Product

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

Jeff Annis, VP Sales & Marketing

Mr Annis, joined SimiGon in 2011 and has a career in the Sales & Marketing of simulation, training, and software development technology, primarily in the Aerospace/Defense and Automotive sectors. Before joining SimiGon he held Director positions at Adacel Systems, Advanced Rotorcraft Technology, and Engenuity Technologies each specializing in high-tech, advanced pilot training software systems. Prior to this Mr. Annis founded American Data-Pro, a company specializing in the development of database and network systems. Mr. Annis has a Bachelor degree in Management and Marketing from Troy University in Alabama.

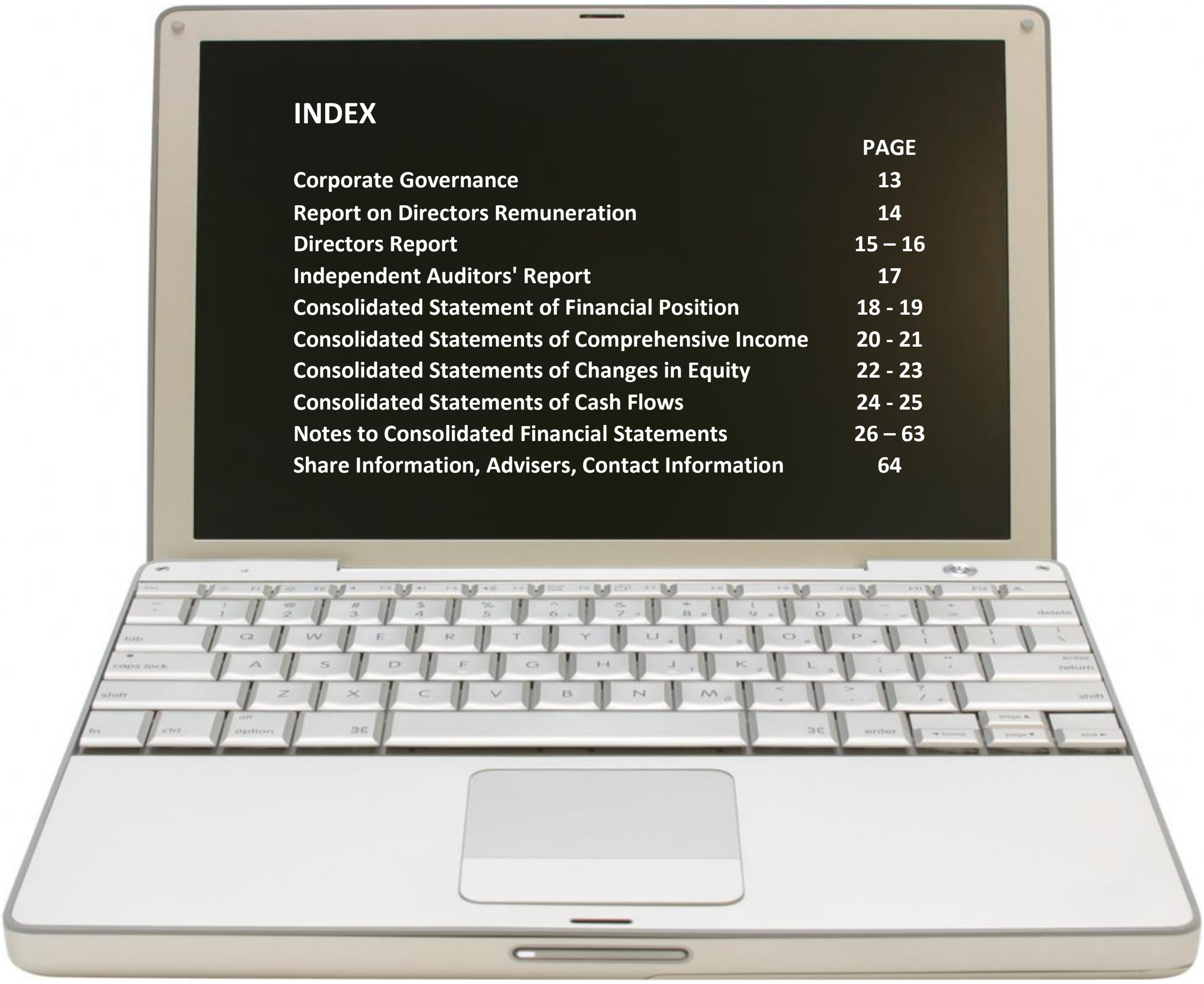
Merav Nahmani, Director of Human Resources

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

FINANCIALS

Consolidated Financial Statements of SimiGon Ltd. and Its Subsidiaries as of December 31, 2014

(U.S. Dollars in Thousands)



CORPORATE GOVERNANCE FOR THE PERIOD ENDED 31 DECEMBER 2014

Introduction

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

Directors

The Board comprises two executive Directors, two Non- Executive Directors and two independent Non-Executive Directors nominated by the majority shareholders of the Company. The Board generally meets a minimum five times a year 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 Eitan Cohen, Dr. Vered Shany and Nevat Simon and meets at least twice a year. The role of the audit committee is to review the management and systems of internal control of the company, including in consultation with the internal auditor and the company's independent auditor and to recommend any remedial action. In addition, the approval of the audit committee is required to effect certain related-party transactions.

Remuneration Committee

The remuneration committee consists of Alistair Rae, Dr. Vered Shany and Nevat Simon. The Remuneration Committee has a primary responsibility to review the performance of the Company's executive directors and the senior employees and to recommend their remuneration and other terms of employment.

Shareholder Relations

The Company meets with its shareholders and analysts periodically to encourage communication with shareholders. In addition, the Company intends to facilitate communication with shareholders through the annual report and accounts, interim statement, press releases as required during the ordinary course of business and the Company website (www.simigon.com).

Going Concern

The directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements are prepared on a going concern basis.

Internal Control

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

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

REPORT ON DIRECTORS REMUNERATION

Remuneration Policy

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

	Total 2014	**Total 2013**
Executive	**$**	**$**
Ami Vizer *	408,082	407,321
Efraim Manea **	134,397	129,117
Non-Executive		
Alistair Rae	53,772	54,597
Eitan Cohen	26,400	26,400
Nevat Simon	26,400	26,400
Dr. Vered Shany	26,400	26,400
Total	**675,451**	**670,235**

* Year 2014 does not include $26,110 paid in respect of vacation days, additional $28,721 paid in respect of severance allocation transfer, additional $32,996 paid in respect to health insurance and a bonus of $116,000 paid in respect to year 2013 performance.

Year 2013 does not include $26,512 paid in respect of vacation days, additional $28,721 paid in respect of severance allocation transfer, additional $30,508 paid in respect to health insurance and a bonus of $120,000 paid in respect to year 2012 performance.

** Year 2014 does not include bonus of $38,826 paid in respect to year 2013 performance.

Please see the Directors Report below for details of options and shares granted to directors.

DIRECTORS REPORT

The directors submit their report and the financial statements of the Group for the period ended 31 December 2014.

Incorporation and Admission onto the AIM Market

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

Shares

As of December 31, 2014 the total numbers of Ordinary Shares Issued were 50,079,690.

Share Options

As of 31 December 2014, the outstanding balance of options granted to certain employees of SimiGon is approximately 4.2 percent of the Company's issued and outstanding shares at an average exercise price of $0.3. The majority of the options vest in four years from the date of grant. The options expire in ten years from the date of grant.

Review of Business and Future Developments

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

Dividends

The Company has not declared a dividend in respect of the relevant period.

Suppliers Payment Policy

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

Directors

The following directors have held office during the year:

- Amos Vizer has been an executive director of the Company since 4 November 1998.
- Efraim Manea was appointed as an executive director on July 30, 2010.
- Alistair Rae, appointed as a director and Chairman of the Board on 27 October 2006.
- Nevat Simon, appointed as an independent director on 27 October 2006.
- Dr. Vered Shany, appointed as an independent director on 27 October 2006.
- Mr. Eitan Cohen was appointed a non-executive director on June 3, 2008.

Directors Interest in Shares and Share Options

The interest of directors in the issued share capital of the company at 31, December 2014 were as follows.

Directors	Number of Ordinary Shares Capital	Percentage of Ordinary shares	Options
Alistair Rae	202,249	0.40	0
Eitan Cohen	72,000	0.14	0
Dr. Vered Shany	72,000	0.14	0
Nevat Simon	72,000	0.14	0
Ami Vizer	10,464,184	20.90	951,308
Efraim Manea	284,346	0.57	50,000

Substantial Shareholdings

At 31, December 2014 the Company was informed of the following interests of 3% or more in its ordinary shares issued at that date:

Shareholder	Number Of Ordinary Shares	Percentage of issued
A. Vizer Holdings A. Vizer	10,464,184	20.90
Jeffrey Braun	6,543,039	13.07
Packet Science Rami Weitz	6,244,944	12.47
Herald Investment Management Limited	5,050,000	10.08
Green Venture Capital Ltd.	3,067,848	6.13
G. Poran Holding Ltd	2,273,444	4.54
Shroder Euroclear Nominees Limited	1,711,070	3.42

Auditors

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

SIMIGON LTD.

We have audited the accompanying consolidated financial statements of SimiGon Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended December 31, 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2013, and its financial performance and cash flows for each of the years ended December 31, 2014, 2013 and 2012, in accordance with International Financial Reporting Standards as adopted by the European Union.

KOST FORER GABBAY & KASIERER

April 8 , 2015
Tel-Aviv, Israel

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2014	2013
	Note	U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		6,490	8,100
Short-term bank deposits		-	511
Short-term investments	3	2,952	-
Trade receivables, net	4	506	249
Other accounts receivable and prepaid expenses		51	69
Total current assets		9,999	8,929
NON-CURRENT ASSETS:			
Restricted cash	5	374	404
Long-term prepaid expenses		29	31
Property, plant and equipment	6	103	115
Intangible assets, net	7	1,173	1,223
Total non-current assets		1,679	1,773
Total assets		11,678	10,702

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2014	December 31, 2013
		U.S. dollars in thousands	
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Trade payables		153	143
Deferred revenues		925	1,218
Other accounts payable and accrued expenses	8	909	808
Total current liabilities		1,987	2,169
NON-CURRENT LIABILITIES:			
Employee benefit liabilities, net	9	178	177
Other non-current liabilities	13a	729	777
Total non-current liabilities		907	954
Total liabilities		2,894	3,123
EQUITY:	10		
Share capital		121	113
Additional paid-in capital		16,350	16,248
Accumulated deficit		(7,687)	(8,782)
Total equity		8,784	7,579
Total liabilities and equity		11,678	10,702

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

April 8, 2015			
Date of approval of the financial statements	Alistair Rae Non-Executive Chairman of the Board of Directors	Ami Vizer Chief Executive Officer and Director	Efraim Manea Chief Financial Officer and Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2014	**2013**	**2012**
	Note	**U.S. dollars in thousands (except share and per share amounts)**		
Revenues	15	8,316	8,172	6,805
Cost of revenues	14a	1,989	2,070	1,367
Gross profit		6,327	6,102	5,438
Operating expenses:				
Research and development	14b	2,381	2,404	2,145
Selling and marketing	14c	1,458	1,652	1,568
General and administrative	14d	1,181	1,048	1,015
Total operating expenses		5,020	5,104	4,728
Operating profit		1,307	998	710
Other income		-	-	26
Finance income	14e	178	57	126
Finance expenses	14f	127	159	154
Net income		1,358	896	708

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2014	**2013**	**2012**
	Note	**U.S. dollars in thousands (except share and per share amounts)**		
Net income		1,358	896	708
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gain (loss) from defined benefit plan		6	-	(16)
Total comprehensive income		1,364	896	692
Basic and diluted earnings per share in U.S. dollars		0.03	0.02	0.02
Weighted average number of shares used in computing basic earnings per share (in thousands)	16	48,854	47,188	45,884
Weighted average number of shares used in computing diluted earnings per share (in thousands)	16	49,085	49,131	46,454

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
	U .S. dollars in thousands (except share amounts)				
Balance as of January 1, 2012	44,134,769	105	15,997	(10,370)	5,732
Net income	-	-	-	708	708
Other comprehensive income:					
Remeasurement loss from defined benefit plan	-	-	-	(16)	(16)
Total comprehensive income	-	-	-	692	692
Issuance of shares (Note 10a1 and Note 10a2)	3,009,106	8	-	-	8
Share-based compensation	-	-	112	-	112
Exercise of stock options (Note 10a3)	9,304	*) -	1	-	1
Balance as of December 31, 2012	47,153,179	113	16,110	(9,678)	6,545
Net income and other comprehensive income:	-	-	-	896	896
Total comprehensive income	-	-	-	896	896
Issuance of shares (Note 10a1)	119,727	*) -	-	-	*) -
Share-based compensation	-	-	137	-	137
Exercise of stock options (Note 10a4)	19,800	*) -	1	-	1
Balance as of December 31, 2013	47,292,706	113	16,248	(8,782)	7,579

*) Represents an amount lower than $ 1 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
	U .S. dollars in thousands (except share amounts)				
Balance as of December 31, 2013	47,292,706	113	16,248	(8,782)	7,579
Net income	-	-	-	1,358	1,358
Other comprehensive income:					
Remeasurement gain from defined benefit plan	-	-	-	6	6
Total comprehensive income	-	-	-	1,364	1,364
Dividend distribution	-	-	-	(269)	(269)
Share-based compensation	-	-	90	-	90
Exercise of stock options (Note 10a2 and 10a5 till 10a8)	2,786,984	8	12	-	20
Balance as of December 31, 2014	50,079,690	121	16,350	(7,687)	8,784

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income	1,358	896	708
Adjustments to reconcile net income to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	101	98	98
Gain on disposal of fixed assets	-	-	(26)
Finance expense (income), net	(9)	(1)	(3)
Share-based compensation	90	137	112
Change in employee benefit liabilities, net	6	36	17
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(257)	407	584
Decrease (increase) in other accounts receivable and prepaid expenses (including long-term)	28	(21)	260
Increase (decrease) in trade payables	10	3	(34)
Increase (decrease) in deferred revenues	(293)	213	892
Increase (decrease) in other accounts payable and accrued expenses	53	160	(96)
	(271)	1,032	1,804
Cash paid and received during the year for:			
Interest paid	-	-	(1)
Interest received	-	1	4
	-	1	3
Net cash provided by operating activities	1,087	1,929	2,515

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
Cash flows from investing activities:			
Increase in short-term investments	(2,943)	-	-
Proceeds from disposal of fixed assets	-	-	36
Decrease (increase) in restricted cash	30	(381)	(23)
Decrease (increase) in short-term bank deposits	511	45	(45)
Increase in long-term deposits	-	(12)	-
Purchase of fixed assets	(39)	(30)	(103)
Net cash used in investing activities	(2,441)	(378)	(135)
Cash flows from financing activities:			
Proceeds from share issuance	-	-	2
Exercise of stock options	13	1	1
Dividend distribution	(269)	-	-
Repayment of long-term bank loan	-	-	(188)
Proceeds from (repayment of) refundable grants	-	(2)	124
Net cash used in financing activities	(256)	(1)	(61)
Increase (decrease) in cash and cash equivalents	(1,610)	1,550	2,319
Cash and cash equivalents at beginning of year	8,100	6,550	4,231
Cash and cash equivalents at end of year	6,490	8,100	6,550

(a) Supplemental disclosure of non-cash financing activities:

Receivable in respect of issuance of shares	7	-	6

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

NOTE 1:- GENERAL

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

b. The Company has two wholly-owned subsidiaries in the United States, SimiGon Inc. and National Simulation Services Inc., which are engaged in the marketing of the Company's products in the United States. The Company also has a wholly-owned subsidiary in Singapore, SimiGon Pte Ltd which is engaged in marketing of the Company's products in the Far East.

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

d. Definitions:

In these financial statements:

The Company	-	SimiGon Ltd.
The Group	-	SimiGon Ltd. and its subsidiaries.
Subsidiaries	-	Companies that are controlled by the Company.
Related parties	-	As defined in IAS 24.
Dollar	-	U.S. dollar

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation of the financial statements:

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

b. Functional currency, presentation currency and foreign currency:

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

The functional currency of the subsidiaries is the U.S. dollar.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Transactions, assets and liabilities in foreign currency:

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

c. Consolidated financial statements:

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

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

d. Cash equivalents:

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

e. Short-term deposits:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. Impaired debts are derecognized when they are assessed as uncollectible.

g. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of investments in financial assets is based on their classification into one of the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables.

a. Financial assets at fair value through profit or loss:

This category includes financial assets held for trading (short-term investments in mutual funds) and financial assets designated upon initial recognition as at fair value through profit or loss.

The Group assesses the existence of an embedded derivative and whether it is required to be separated from a host contract when the Group first becomes party to the contract. Reassessment of the need to separate an embedded derivative only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Derivatives, including embedded derivatives separated from the host contract, are classified as held for trading unless they are designated as effective hedging instruments.

In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument is designated as a financial asset at fair value through profit or loss only upon initial recognition.

b. Receivables:

Receivables are investments with fixed or determinable payments that are not quoted in an active market.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

After initial recognition, Short-term receivables (such as trade and other receivables) are measured based on their terms, normally at face value.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. After initial recognition, loans and other liabilities are measured at amortized cost based on their terms net of directly attributable transaction costs using the effective interest method.

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group):

- discharges the liability by paying in cash, other financial assets, goods or services; or
- is legally released from the liability.

h. Leases:

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

The Group as lessee:

Operating leases:

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

i. Property, plant and equipment:

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

j. Intangible assets:

Intangible assets (Technology) acquired in a business combination are included at fair value at the acquisition date (see Note 7). After initial recognition, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses.

According to management's assessment, intangible assets have a finite useful life. The assets are amortized over their useful life using the straight-line method and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in the profit or loss.

The useful life of the Technology is 10 years.

k. Research and development:

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

l. Impairment of non-financial assets:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following criteria are applied in assessing impairment of these specific assets:

Goodwill in respect of business combination:

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

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

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

m. Government grants:

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

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

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

Grants received after January 1, 2009, which are recognized as a liability, are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IAS 39, "Financial Instruments: Recognition and Measurement". Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a government grant and recognized as a reduction of research and development expenses.

After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of IAS 39.AG8.
Royalty payments are treated as a reduction of the liability.

n. Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Company acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. Revenues are measured at the fair value of the consideration less any trade discounts.

The Company generates revenues mainly from licensing the software products and sales of software licenses that require significant customization. The Company also generates revenues from maintenance, support and training.

Revenues from software licensing that requires significant customization are recognized by reference to the stage of completion of the transaction at the end of the reporting period. When the outcome of the transaction cannot be estimated reliably, revenues are recognized only to the extent of the costs recognized that are recoverable. A provision for estimated losses on uncompleted contracts is recorded in the period in which such losses are first identified. As of December 31,2014 and 2013, no provision for such losses has been identified.

Maintenance and support revenue included in multiple element arrangements is deferred and recognized on a straight-line basis over the term of the maintenance and support agreement. The fair value of the undelivered elements (maintenance and support services) is determined based on the price charged for the undelivered element when sold separately.

Deferred revenue includes unearned amounts received under maintenance and support contracts, and amounts received from customers but not recognized as revenues.

Revenues from software arrangements:

Software arrangements contain multiple elements (software, integration, installation, upgrades, support, training, consultation etc.). The Company evaluates the arrangement's elements, including those delivered on a "when and if available basis", in order to determine if the elements can be separately identified.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company recognizes revenues from the sale of software only after the significant risks and rewards of ownership of the software have been transferred to the buyer for which a necessary, but not sufficient condition, is delivery of the software, either physically or electronically, or providing the right to use or permission to make copies, of the software. The Company recognizes revenues from providing software related services when the outcome can be measured reliably by reference to the stage of completion of the transaction at the end of the reporting period.

If the services consist of a number of activities that are not defined over a specified period of time, revenues are recognized on a straight-line basis over the specified period, unless there is evidence that some other method better represents the stage of completion.

o. Earnings per share:

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

p. Provisions:

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

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

q. Employees benefit liabilities:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

r. Fair value of financial instruments:

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

s. Share-based payment transactions:

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

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

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted .

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the change between the cumulative expense recognized at the end of the reporting period and the cumulative expense recognized at the end of the previous reporting period.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date

t. Finance income and expenses:

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

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

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

a. Judgments:

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

  The fair value of share-based payment transactions is determined using an acceptable option-pricing model. The model includes data as to the share price and exercise price, and assumptions regarding expected volatility, expected life, expected dividend and risk-free interest rate.

b. Estimates and assumptions:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Chief Scientist grants:

  Government grants received from the Office of the Chief Scientist at the Ministry of Industry, Trade and Labor are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and the estimated discount rate used to measure the amount of the liability. As for the accounting treatment of grants received from the OCS, see also Note 13.

- Deferred tax assets:

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

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

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

v. Disclosure of new standards in the period prior to their adoption

1. IFRS 15, "Revenue from Contracts with Customers":

   In May 2014, the IASB issued IFRS 15 ("IFRS 15").

   IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real

   Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

   The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

   Step 1: *Identify the contract with a customer*, including reference to contract combination and accounting for contract modifications.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Step 2: *Identify the separate performance obligations in the contract*

Step 3: *Determine the transaction price*, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: *Allocate the transaction price to the separate performance obligations* on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: *Recognize revenue when the entity satisfies a performance obligation* over time or at a Point in time.

The Company is evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

2. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, " Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if certain conditions are met. Subsequent measurement of all other debt instruments and financial assets should be at fair value.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected. IFRS 9 also prescribes new hedge accounting requirements.
IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

NOTE 3:- SHORT-TERM INVESTMENTS

	December 31, 2014	December 31, 2013
	U.S. dollars in thousands	
Financial assets classified as held for trading at fair value through profit or loss- Mutual Funds *)	2,952	-

*) The mutual funds invest in substantially short-term low risk securities.

NOTE 4: - TRADE RECEIVABLES

	December 31, 2014	December 31, 2013
	U.S. dollars in thousands	
Trade receivables (1)	506	249
(1) Net of allowance for doubtful debts	302	326

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

The aging analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired: < 30 days	30 - 60 days	60 - 90 day	> 90 days	Total
	U.S. dollars in thousands					
2014	131	41	13	305	16	506
2013	101	115	*) -	-	33	249

*) Represents an amount lower than $ 1 thousands.

NOTE 5:- RESTRICTED CASH

a. As part of a $6.7 million contract signed in May 2013 in which SimiGon was selected as a prime contractor to deliver a SIMbox based training solution, on June 10, 2013 the Company issued a Performance Bond in favor of its customer in a total amount of $335 thousand prior to contract deliveries and receiving payments from the client. The Performance Bond expires on August 1, 2016.

b. To operate an ongoing business account in Bank Mizrahi, the Company is obligated to secure a deposit in the amount of $45 thousand in its favor (the "Security Deposit"). On March 17, 2014 the Security Deposit was reduced to $15 thousand.

c. As part of SimiGon Ltd premises lease agreement, the Company is obligated to secure a deposit in the amount of $24 thousand in favor of the landlord.

NOTE 6:- PROPERTY, PLANT AND EQUIPMENT

Composition and movement:

	Computers and peripheral equipment	Office furniture and equipment	Leasehold improvements	Total
	U.S. dollars in thousands			
Cost:				
Balance as of January 1, 2013	722	204	54	980
Disposal during the year	(13)	-	-	(13)
Acquisitions during the year	26	4	-	30
Balance as of December 31, 2013	735	208	54	997
Disposal during the year	(19)	(11)	-	(30)
Acquisitions during the year	31	7	1	39
Balance as of December 31, 2014	747	204	55	1,006
Accumulated depreciation:				
Balance as of January 1, 2013	669	126	53	848
Disposal during the year	(13)	-	-	(13)
Depreciation during the year	31	16	-	47
Balance as of December 31, 2013	687	142	53	882
Disposal during the year	(19)	(11)	-	(30)
Depreciation during the year	37	14	*) -	51
Balance as of December 31, 2014	705	145	53	903
Depreciated cost as of December 31, 2014	42	59	2	103
Depreciated cost as of December 31, 2013	48	66	1	115

NOTE 7:- GOODWILL AND AN INTANGIBLE ASSET

The carrying amount of intangible assets acquired as of December 31, 2014 and 2013 in the accounts of the Company was as follows:

	Carrying amount as of December 31,	
	2014	**2013**
	U.S. dollars in thousands	
Technology **)	105	155
Goodwill	1,068	1,068
Total	1,173	1,223

As the activities of VTSG have been fully integrated into those of the Company, the goodwill arising in the acquisition of VTSG is evaluated for impairment purposes as part of the cash generating unit representing the Company. As of December 31, 2014, the recoverable amount determined based on the market price of the Company's shares exceeded the carrying amount of the Company's net assets (equity), and therefore, no provision for impairment was recorded.

**) During the years ended December 31, 2014, 2013 and 2012, the Company recorded amortization in the amount of $50 thousand, $51 thousand and $50 thousand, respectively, which was recorded in cost of revenues.

NOTE 8:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2014	**2013**
	U.S. dollars in thousands	
Employees and payroll accruals	594	451
Accrued expenses	315	357
	909	808

NOTE 9:- EMPLOYEE BENEFIT LIABILITIES, NET

Employee benefits consist of short-term benefits, post-employment benefits, other long-term benefits and termination benefits.

a. Post-employment benefits:

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

NOTE 9:- EMPLOYEE BENEFIT LIABILITIES, NET (Cont.)

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

b. The amounts recognized in the balance sheet are as follows:

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Liability at the beginning of the year	177	141	108
Expense recognized in the profit or loss	37	65	52
Benefits paid	(30)	(29)	(35)
Remeasurement loss (gain)	(6)	-	16
Liability at the end of the year	178	177	141

c. Amounts recognized in profit and loss are as follows:

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Current service cost	50	48	44
Interest cost	7	7	5
Exchange rate	(20)	10	3
Total expense included in profit or loss	37	65	52

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

Composition:

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Balance at January 1	177	141	108
Interest cost	7	7	5
Exchange rate	(20)	10	3
Current service cost	50	48	44
Benefits paid	(30)	(29)	(35)
Remeasurement loss (gain)	(6)	-	16
Balance at December 31	178	177	141

.

NOTE 9:- EMPLOYEE BENEFIT LIABILITIES, NET (Cont.)

e. The actuarial assumptions used are as follows:

	Year ended December 31,		
	2014	**2013**	**2012**
Discount rate	3.83%	4.26%	4.57%
Future salary increases	3.80%	4.43%	4.72%
Average expected remaining working years	6.78	6.65	6.30

NOTE 10:- EQUITY

a. Share issuance:

1. Further to the implementation of a one-year plan for salary reduction of 15% for the Non-Executive Board members dated July 27, 2009, on April 12, 2012 the Company issued a total of 72,000 and 47,727 Ordinary Shares to the Company's Non-Executive Directors and to Non-Executive Chairman of the Board respectively in return for a one year salary reduction.

   On October 9, 2013 the Company issued a total of 72,000 and 47,727 Ordinary Shares to the Company's Non-Executive Directors and to Non-Executive Chairman of the Board respectively in return for a one year salary reduction.

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

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

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

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

NOTE 10:- EQUITY (Cont.)

Out of the shares issued, 1,972,233 and 22,109 Ordinary Shares were issued to Mr. Ami Vizer the Company's Chief Executive Officer and to Mr. Efraim Manea Chief Finance Officer, who are also Directors of the Company, respectively. Out of the Options issued, 2,926,533 and 37,582 Options were issued to Mr. Ami Vizer the Company's Chief Executive Officer and to Mr. Efraim Manea Chief Finance Officer, who are also Directors of the Company, respectively

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

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

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

The Company recorded share-based compensation expenses of $ 46 thousand and $66 thousand, in respect of the bonus compensation for year 2014 and 2013, respectively.

3. On October 17, 2012, a total of 9,304 options were exercised under the Company's Stock Option Plan at an average exercise price of $ 0.09.

4. On August 5, 2013, a total of 19,800 options were exercised under the Company's Stock Option Plan at an average exercise price of $ 0.043.

5. On April 30, 2014 a total of 27,500 options were exercised under the Company's Stock Option Plan by senior management into SimiGon's Ordinary Shares at an exercise price of $ 0.08 each.

6. On April 30, 2014 a total of 454,000 options were exercised under the Company's Stock Option Plan by senior management into SimiGon's Ordinary Shares at an exercise price of NIS 0.01 each.

7. On May 20 2014, a total of 15,500 options were exercised under the Company's Stock Option Plan by a former employee into SimiGon's Ordinary Shares of 0.01 NIS. Out of the options exercised, 8,000 Options and 7,500 Options were exercised at an exercise price of $ 0.13 and $ 0.08 each; respectively.

8. On November 11 2014, a total of 50,001 options were exercised under the Company's Stock Option Plan by a former employee into SimiGon's Ordinary Shares of 0.01 NIS. Out of the options exercised, 16,667 Options and 33,334 Options were exercised at an exercise price of $ 0.25 and $ 0.14 each; respectively.

NOTE 10:- EQUITY (Cont.)

b. Composition of share capital:

	December 31, 2014, 2013 and 2012	December 31,		
		2014	2013	2012
	Authorized	Issued and outstanding		
	Number of shares			
Ordinary shares of NIS 0.01 par value each	100,000,000	50,079,690	47,292,706	47,153,179

c. Stock option plan:

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

The exercise price of the options granted under the Option Plan may not be less than the par value of the shares. The options generally expire no later than 10 years from the date of the grant, and are non-transferable, except under the laws of succession. On November 2, 2010, the Company decided to increase its Option Plan reserves by 8,000,000 options to accumulate a total of 17,500,000. As of December 31, 2014, an aggregate of 1,787,343 Ordinary shares of the Company are still available for future grant.

On January 31, 2012 the Board of Directors granted to the Company employees a total of 190,000 options to purchase Ordinary shares of the Company. Such options are granted in accordance with the Company's Employees' Stock Option Plan (the "ISOP") and will vest quarterly over a period of 4 years commencing from the grant date at an exercise price of US$0.14.

On April 11, 2013 the Board of Directors granted to the Company employees a total of 155,000 options to purchase Ordinary shares of the Company. Such options were granted in accordance with the Company's Employees' Stock Option Plan and will vest quarterly over a period of 4 years commencing from the grant date at an exercise price of $0.33 U.S. dollars.

On May 30, 2013 the Board of Directors granted to the Company employees a total of 150,000 options to purchase Ordinary shares of the Company. Such options were granted in accordance with the Company's Employees' Stock Option Plan and will vest quarterly over a period of 4 years commencing from the grant date at an exercise price of $0.42 U.S. dollars.

On November 24, 2013, the Company’s Board of directors approved the extension of the Israeli Share and Option Plan for 2003 for additional 10 years under the same terms and conditions.

NOTE 10:- EQUITY (Cont.)

The fair value of share options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following are the inputs to the model used for the three years ended December 31, 2014: risk-free interest rates of 1% in year 2014 and a risk-free interest rates for years 2013 and 2012 ranging from 0.87%-1.92%; a dividend yield of 0%; volatility factor of the expected market price of the Company's Ordinary shares of 80%; and a weighted average expected life of the options of 6 years. The weighted average fair values of the options granted in 2014, 2013 and 2012 were $ 0.43, $ 0.38 and $ 0.01, respectively.

A summary of the activity in options to employees, consultants, and directors (including the senior management, see d. below) for the years 2014, 2013 and 2012 is as follows:

	Year ended December 31,					
	2014		2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	4,962,471	$ 0.134	5,021,788	$ 0.133	1,993,248	$ 0.315
Granted	227,000	$ 0.425	305,000	$ 0.377	3,331,288	$ 0.01
Exercised	(2,786,984)	$ 0.007	(19,800)	$ 0.043	(9,304)	$ 0.09
Expired	(128,300)	$ 0.6	-	$ -	(103,946)	$ 0.6
Forfeited	(152,999)	$ 0.214	(344,517)	$ 0.053	(189,498)	$ 0.17
Outstanding at end of year	2,121,188	$ 0.297	4,962,471	$ 0.134	5,021,788	$ 0.133
Exercisable options	908,481	$ 0.409	2,549,519	$ 0.187	1,067,526	$ 0.428

The options outstanding as of December 31, 2014, have been separated into ranges of exercise price as follows:

Exercise price	Options outstanding as of December 31, 2014	Weighted average remaining contractual life (years)	Options exercisable as of December 31, 2014
$0.002 - $0.127	1,168,805	6.99	534,301
$0.129 - $1.2	752,383	2.96	204,180
$1.33 - $2.5	200,000	2.39	170,000
	2,121,188		908,481

NOTE 10:- EQUITY (Cont.)

d. Options to the CEO and senior employees:

1. On January 27, 2010, the Board of Directors granted 1,249,000 options as follows:

   a) A total of 360,000 options were granted to the CEO at an exercise price of NIS 0.01 per share.

   b) A total of 312,000 options were granted to senior management at an exercise price of NIS 0.01 per share.

   c) A total of 132,000 options were granted to employees at an exercise price of NIS 0.01 per share.

   d) A total of 304,000 options were granted to employees at an exercise price of $ 0.13 per share.

   e) A total of 141,000 options were granted to the former CFO at an exercise price of NIS 0.01 per share.

   The options will vest in 3 tranches annually equal amounts commencing as of January 1, 2010 and will be conditional upon the following:

   a) Employee being employed by the Company, and

   b) The EBITDA of the Company (on a consolidated basis) for the relevant fiscal year (2011, 2012 and 2013) shall increase by more than 20% compared to the previous year.

      The 2011 EBITDA performance goal was not achieved therefore the first tranche did not vest.

      The 2012 and 2013 EBITDA performance goal was achieved.

   Vesting will be fully accelerated in the event of any of the following:

   a) Merger, acquisition or reorganization of the Company with one or more other entities;

   b) A sale of all or substantially all of the assets or shares of the Company;

   c) An investment in the Company of at least $ 2 million.

   As of December 31, 2013 a total of 552,233 options have been vested and the Company recorded share-based compensation expenses in a total of $15 thousand, $12 thousands and $6 thousands in respect to Mr. Ami Vizer, the Company's Chief Executive Officer who is also a Director of the Company, to senior management and to employees, respectively for the year 2013.

NOTE 10:- EQUITY (Cont.)

Further to note 10a6, on April 30, 2014 a total of 454,000 options were exercised under the Company's Stock Option Plan by senior management into SimiGon's Ordinary Shares at an exercise price of NIS 0.01 each. Out of the shares issued, 240,000 and 50,000 Ordinary Shares were issued to the Company's CEO and CFO, who are also Directors of the Company; respectively

2. On June 29, 2011 the Company's Board of Directors approved. the extension in terms of options granted to former senior employee according to which, options in a total of 75,000 will be exercisable until June 10, 2012 only in case of a Transaction (as defined in the Company's Share Option Plan). All other vested options in a total of 85,400 will be exercisable until December 7, 2012 only in case of a Transaction (as defined in the Company's Share Option Plan).

3. On November 28, 2011 the Annual General meeting of the Company's approved the grant of 40,000 options to purchase ordinary shares of the Company to Mr. Efraim Manea, a director of the Company and its CFO. Such options are granted to Mr. Manea in accordance with the Company's Employees' Stock Option Plan (the "ISOP") and in the same terms that similar options are granted to the employees of the Company. The options will be vested over 36 months commencing September 2012 at an exercise price of US$0.08. The Vested Options are exercisable only in an event of a Transaction as defined under the ISOP.

4. Further to note 10a2, (a) on April 12, 2012, the Company issued 2,926,533 and 182,541 Options to Mr. Ami Vizer, the Company's Chief Executive Officer who is also a Director of the Company, and to senior management, respectively; (b) on December 20, 2012 the Annual General meeting of the Company's approved the grant of 37,582 options to purchase Ordinary Shares to Mr. Efraim Manea, a director of the Company and its CFO and (c) as of December 31, 2014, 2013 and 2012, the Company recorded share-based compensation expenses in a total of $46 thousand, $66 thousands and $51 thousand in respect to the CEO, respectively.

e. Shares to the CEO and senior employees:

Further to Note 10a2, (a) on April 12, 2012 the Company issued a total 1,972,233 and 66,291 Ordinary Shares to Mr. Ami Vizer the Company's Chief Executive Officer who is also a Director of the Company and to senior management, respectively; (b) On October 11, 2012, a total of 516,921 and 309,711 Ordinary Shares each have been issued, to Mr. Ami Vizer and to senior management, respectively; (c) On April 30, 2014 a total of 1,497,674 and 214,755 Ordinary Shares have been issued, to Mr. Ami Vizer and to senior management, respectively; (d) on November 11, 2014 a total of 527,554 Ordinary Shares have been issued, to Mr. Ami Vizer and (e) on April 30, 2014 a total of 27,500 options were exercised under the Company's Stock Option Plan by senior management into SimiGon's Ordinary Shares at an exercise price of $ 0.08 each. Out of the shares issued, 7,500 Ordinary Shares were issued to Mr. Ami Vizer.

NOTE 11:- JOINT VENTURE

On March 30, 2014 SimiGon's subsidiary ("the Subsidiary") entered into a Joint Venture agreement ("the Joint Venture") with a company based in China that will provide the Joint Venture with aviation services. Under the terms of the Joint Venture agreement, the Subsidiary will provide the SIMbox licenses enabling the Joint Venture to develop its own training solutions. The Subsidiary will invest $30 thousand in the Joint Venture representing an interest of 4% in its shares. As of the date of the approval of the financial statements as of December 31, 2014, the Joint Venture is under a process of establishment.

NOTE 12:- INCOME TAXES

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

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

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

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

The Company completed the implementation of its original and expansion programs.

The period of tax benefits, detailed above, is subject to limits of the earlier of 12 years from the commencement of production, or 14 years from receiving the approval. The period of benefits has not yet commenced, and will expire in the year 2016

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

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

If tax-exempt profits are distributed to shareholders, they would be taxed at the corporate tax rate applicable to such profits as if the Company had not elected the alternative system of benefits, currently between 10%-25% for an "Approved Enterprise".

An amendment to the Law, which became effective in 2005 ("the Amendment") changed certain provisions of the Law.

NOTE 12:- INCOME TAXES (Cont.)

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

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

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

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

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

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

According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income. Commencing from the 2011 tax year, the Company will be able to opt to apply (the waiver is non-recourse) the Amendment and from the elected tax year and onwards, it will be subject to the amended tax rates that are: 2011 and 2011 - 15% (in development area A - 10%), 2013 and 2014 - 12.5% (in development area A - 7%) and in 2015 and thereafter - 12% (in development area A - 6%).

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

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

NOTE 12:- INCOME TAXES (Cont.)

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

c. Tax reconciliation:

In 2014, 2013 and 2012, the main reconciling item between the statutory tax rate of the Company and the effective tax rate (0%) is carryforward tax losses and tax exemption for which no deferred taxes were provided.

d. Carryforward losses:

Domestic:

As of December 31, 2014, 2013 and 2012, the Company had accumulated losses for Israeli tax purposes of approximately $ 0.9 million, $ 3.4 million and $ 5.3 million, respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period.

Foreign:

As of December 31, 2014, 2013 and 2012, the federal tax loss carryforwards of the U.S. subsidiaries amounted to approximately $ 6.8 million, $ 6.4 million and $ 6.1 million, respectively. Such losses are available for offset against future U.S. taxable income of the subsidiaries and will expire in the years 2023-2026.

As of December 31, 2014 and 2013, the tax loss carryforwards of the Singaporean subsidiary amounted to approximately $ 91 thousands and $ 44 thousands; respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period.

Deferred tax assets relating to carryforward operating losses were not recognized because their utilization in the foreseeable future is not probable.

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

Domestic:

The Israeli corporate tax rate applicable in 2014 is 26.5% and 25% in 2013 and 2012.

A company is taxable on its real (non-inflationary) capital gains at the corporate tax rate in the year of sale.

A temporary provision for 2006-2009 stipulates that the sale of an asset other than a quoted security (excluding goodwill that was not acquired) that had been purchased prior to January 1, 2003, and sold by December 31, 2009, is subject to corporate tax as follows:

NOTE 12:- INCOME TAXES (Cont.)

The part of the real capital gain that is linearly attributed to the period prior to December 31, 2002 is subject to the corporate tax rate in the year of sale as set forth in the Israeli Income Tax Ordinance, and the part of the real capital gain that is linearly attributed to the period from January 1, 2003 through the date of sale is subject to tax at a rate of 25%.

On December 5, 2011, the "Knesset" (Israeli parliament) passed the Law for Tax Burden Reform (Legislative Amendments), 2011 ("the Law") which, among others, cancels effective from 2012, the scheduled reduction in the corporate tax rate. The Law also increases the corporate tax rate to 25% in 2012. In view of this increase in the corporate tax rate to 25%, as above, the real capital gain tax rate and the real betterment tax rate were also increased accordingly.

On August 5, 2013, the "Knesset" issued the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law"), which consists, among others, of fiscal changes whose main aim is to enhance the collection of taxes in those years. These changes include, among others, increasing the corporate tax rate from 25% to 26.5%, cancelling the reduction in the tax rates applicable to privileged enterprises (9% in development area A and 16% elsewhere) and, in certain cases, increasing the rate of dividend withholding tax within the scope of the Law for the Encouragement of Capital Investments to 20% effective from January 1, 2014. There are also other changes such as taxation of revaluation gains effective from August 1, 2013. The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of overseas assets.

Foreign:

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

f. Tax assessments:

The Company's tax assessments in Israel for the years until and including 2009 are considered final, subject to the powers vested with the director of the Tax Authority pursuant to sections 145, 147 and 152 to the Income Tax Ordinance.

The Israeli Tax Authority ("ITA") requested information in order to issue an assessment with respect to income tax returns of the Company for 2010 until 2013.

g. Deferred taxes:

On December 31, 2014, there was no recognized deferred tax liability for taxes that would be payable on unremitted earnings of the Company and its subsidiaries.

NOTE 13:- OTHER LIABILITIES AND COMMITMENTS

a. Royalty commitments:

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

   As of December 31, 2014, the Company received a total amount of $ 254 thousand.

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

   The total non-current liability for the years ended December 31, 2014 and 2013 was $ 211 thousand and $ 200 thousand, respectively.

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

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

   As of December 31, 2014, the Company received total amount of $ 611 thousand.

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

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

   The total non-current liability for the years ended December 31, 2014 and 2013 was $ 448 thousand and $ 499 thousand, respectively.

NOTE 13:- OTHER LIABILITIES AND COMMITMENTS (Cont.)

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

   As of December 31, 2014, the Company received a total amount of $ 95 thousand.

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

   The total non-current liability for the year ended December 31, 2014 and 2013 was $ 70 thousand and $ 78 thousand, respectively.

b. Lease commitments:

1. Premises occupied by the Company are rented under various non-cancelable lease agreements. The latest rental agreement for the premises expires in October 2017 as determined under a lease agreement signed on October 1, 2014.

2. The Company has leased various motor vehicles under cancelable operating lease agreements, which expire on various dates, the latest of which is in 2016.

3. Premises occupied by the subsidiaries are rented under non-cancelable lease agreements. The latest rental agreement for the premises expires in March 2016 as determined under a lease agreement signed on December 14, 2011 by SimiGon Inc.

4. Future minimum rental payments under non-cancellable operating leases are as follows:

Year ended December 31,	U.S. dollars in thousands
2015	265
2016	230
2017	124
	619

   The total expense for the years ended December 31, 2014, 2013 and 2012 was $ 342 thousand, $ 317 thousand and $ 301 thousand, respectively.

NOTE 14:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
a. Cost of revenues:			
Salaries and related benefits	946	595	468
Lease and office maintenance	151	72	54
Travel expenses, net	149	139	64
Depreciation and amortization	69	59	57
Share-based compensation	15	14	10
Subcontractors	659	1,191	714
	1,989	2,070	1,367
b. Research and development expenses:			
Salaries and related benefits	2,060	2,084	1,793
Lease and office maintenance	312	319	323
Depreciation and amortization	21	25	28
Share-based compensation	13	16	12
Other	-	1	1
Government grants	(25)	(43)	(12)
	2,381	2,404	2,145
c. Selling and marketing expenses:			
Salaries and related benefits	1,042	1,118	1,000
Lease and office maintenance	66	80	70
Consultant fees	101	123	123
Advertising and sales promotion	32	41	70
Travel expenses	102	92	113
Depreciation and amortization	7	9	8
Share-based compensation	60	93	67
Commission	48	96	117
	1,458	1,652	1,568

NOTE 14:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME (Cont.)

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
d. General and administrative expenses:			
Salaries and related benefits	659	681	608
Lease and office maintenance	58	63	60
Travel expenses	26	14	21
Professional fees and public company expenses	425	314	324
Depreciation and amortization	4	5	5
Share-based compensation	2	14	22
Doubtful debt provision	*) -	(43)	(25)
Other	7	-	-
	1,181	1,048	1,015

*) Represents an amount lower than $ 1 thousand.

	2014	2013	2012
e. Finance income:			
Exchange rate differences	132	56	122
Government grants interest	37	-	-
Interest income from banks	9	1	4
	178	57	126

	2014	2013	2012
f. Finance cost:			
Exchange rate differences	120	124	147
Government grants interest	-	29	7
Bank loans and fees	7	6	-
	127	159	154

NOTE 15:- REVENUES

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

a. Revenues:

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Software licenses and customization	6,798	6,356	5,420
Recurring Maintenance & Support	1,466	1,745	1,342
Training	52	71	43
	8,316	8,172	6,805

b. Geographical information:

Revenues classified by geographical destinations based on the customer location:

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
EMEA and South America (1)	1,187	1,399	1,730
North America	4,166	5,032	4,928
Asia Pacific	2,963	1,741	147
	8,316	8,172	6,805

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

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

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
EMEA and South America (1)	43	41	37
North America	1,233	1,297	1,369
	1,276	1,338	1,406

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

NOTE 15:- REVENUES (Cont.)

c. Information about major customers:

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

	Year ended December 31,		
	2014	2013	2012
Customer A	22%	21%	24%
Customer B	7%	10%	8%
Customer C	20%	15%	17%
Customer D	3%	21%	19%
Customer E	4%	6%	13%
Customer F	32%	20%	-

NOTE 16:- EARNINGS PER SHARE

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

	Year ended December 31,		
	2014	2013	2012*)
	U.S. dollars in thousands		
Net income for the year	1,358	896	708

	2014	2013	2012
Weighted average number of Ordinary shares for computing basic earnings (loss) per share	48,854	47,188	45,884
Effect of dilution:			
Share options	231	1,943	570
Weighted average number of Ordinary shares adjusted for the effect of dilution	49,085	49,131	46,454

NOTE 17:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
a. Expenses to related party of a shareholder:			
Sales and marketing *)	-	-	18

*) As part of a sales consulting agreement signed with a company whom one of its shareholder is also a shareholder in SimiGon, holding less than 10%.

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
b. Compensation of key management personnel of the Company:			
Employee benefits *)	1,628	1,560	1,448
Share-based payments **)	55	83	87
	1,683	1,643	1,535

*) Includes long-term employee benefits in the amount of $ 30 thousand, $ 40 thousand and $ 47 thousand for the years ended December 31, 2014, 2013 and 2012, respectively.

As disclosed under Note 20b, year 2014 includes annual bonus provision of $ 51 thousand to the VP of Business Development and VP Projects. Year 2013 include bonus payment of $ 17 thousand to the VP of Business Development and VP Projects.

Year 2014 includes bonus provision to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2014 in the amount of $21 thousand (see Note 17d). Year 2013 includes bonus provision to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2013 in the amount of $33 thousand (see Note 17d).

Year 2014 includes bonus provision to Mr. Ami Vizer, the Company's Chief Executive Officer and executive director ("the CEO") in respect to fiscal year 2014 in the amount of $80 thousand (see Note 17e). Year 2013 includes bonus provision to the CEO in respect to fiscal year 2013 in the amount of $114 thousand and a payment of $ 6 thousand paid to the CEO in respect of the bonus of the fiscal year 2012 (see Note 17e).

NOTE 17:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Year 2012 include the provision for sales bonus of $ 2 thousand to the VP of Business Development.

Year 2012 includes bonus of $ 30 thousand and a bonus provision of $114 thousand to the CEO in respect of the fiscal year 2011 and 2012, respectively (see Note 17e).

**) Years 2014, 2013 and 2012 include share-based compensation of $46 thousand, $66 thousands and $51 thousand, respectively, due the Share Bonus Plan as described under Note 10d4, in respect to the CEO.

Year 2013 includes share-based compensation of $ 15 thousand and $17 thousand in respect of Options granted under Note 10d1, to the CEO and senior management, respectively. Year 2012 includes share-based compensation of $ 15 thousand and $12 thousand in respect of options granted under Note 10d1, to the CEO and senior management, respectively.

c. Compensation policy for the Company’s Directors and officers:

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

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

d. Agreement with CFO:

On December 6, 2012, the Board of Directors approved the grant of a one-time cash bonus to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2013 in the amount of up to $34 thousand, subject to revenues, net profit and share price criteria and milestones.

On November 24, 2013, the Board of Directors approved the grant of a one-time cash bonus to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2014 in accordance to the Company’s Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $35 thousand, subject to revenues, net profit and share price criteria and milestones.

As of December 31, 2014, the Company has made a provision of $21 thousand in respect of its CFO annual bonus for year 2014.

NOTE 17:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

e. Significant agreements with shareholders:

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

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

   On December 6, 2012, the Board of Directors approved a one-time cash bonus grant to Mr Ami Vizer with respect to fiscal year 2011 in the amount of $ 30 thousand. It has also approved the grant of annual cash bonus to Mr Ami Vizer with respect to fiscal years 2012 and 2013 in the amount of up to $ 125 thousand per year, subject to revenues, net profit and share price criteria and milestones (the “Conditions”). Based on the Conditions above, the Company recorded for each fiscal year ended December 31, 2012 and 2013 a provision of $114 thousand. The actual bonuses for the fiscal years ended December 31, 2012 and 2013 were paid on April 2013 and on May 2014 and amounted to $ 120 thousand and $116, respectively.

   On November 24, 2013, the Board of Directors approved the grant to Mr. Ami Vizer, the Company's Chief Executive Officer and executive director of annual cash bonus to with respect to fiscal year 2014 in accordance with the Company’s Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $125 thousand, subject to revenues, net profit and share price criteria and milestones. On December 30, 2013 the Company’s Annual General Meeting for year 2013, approved 2014 bonus grant to Mr Ami Vizer. As of December 31, 2014, the Company has made a provision of $80 thousand in respect of Mr. Ami Vizer annual bonus for year 2014.

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

   Total salary including employer tax (excluding share bonus grant mentioned under Note 10a2) of Mr. Ami Vizer during year 2014 amounted to an annual salary of $ 360 thousand, related benefits include bonus for 2013 fiscal year of $116 thousand, annual social benefits of $ 43 thousand (12.5% out of his annual salary), expenses allowance of $6 thousand, recovery fees of $1 thousand, severance pay of $29 thousand, vacation days of $39 thousand and health insurance of $33 thousand. In addition, the Company has made a provision for 2014 bonus of $ 80 thousand.

2. On September 27, 2006, the Company entered into a consultant agreement (“the Consultant Agreement”) with Mr. Rami Weitz, pursuant to which Mr. Weitz receives a fee of $ 122 thousand per annum in consideration of consulting services. The agreement may be terminated by either party by at least six months' written notice. In addition, pursuant to this agreement, Mr. Weitz received options.

NOTE 17:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Prior to this agreement, Mr. Rami Weitz had been the Chairman of the Board of Directors of the Company.

On April 22 2014, the Company signed on a Loan Agreement with Mr. Rami Weitz ("the Loan Agreement") according to which, the Company will provide Mr.Weitz with a loan in a total of $60 thousand bearing interest at the minimum rate mandated by law, repayable within 12 months till April 7, 2015. According to the Loan Agreement, the Company shall have the right at any time (even prior to the due repayment date) to set-off and deduct any amount due hereunder from any amount payable by the Lender to Mr.Weitz, to Packet Science Ltd. or to any company in which Mr.Weitz and/or his immediate family and/or third respective affiliates have a controlling interest.

In May 2014, the consultant Agreement was terminated and the Company offset the above loan against fees due to Mr. Weitz.

NOTE 18:- DIVIDEND DISTRIBUTION

On April 24, 2014 the Company's Board of Directors approved the distribution of a maiden dividend in the amount of $268 thousand (approximately $0.543 cent per share). The dividend was paid on May 30, 2014.

NOTE 19:- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital management:

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

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

Financial risks factors:

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

a. Foreign exchange risk:

The Company operates in a number of countries and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the NIS. As of December 31, 2012, balances in foreign currency are immaterial.

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

b. Credit risk:

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

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

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

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

The Company has no significant concentrations of credit risk. The Company has a policy to ensure collection through sales of its products to wholesalers with an appropriate credit history and through retail sales in cash or by credit card.

As of December 31, 2014, cash and cash equivalents together with the Company's short time bank deposits and investments amounted to $ 9,442 thousand.

c. Liquidity risk:

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

December 31, 2014:

	Less than one year	3 to 4 Years	Total
	U.S. dollars in thousands		
Government grants	37	729	766
Trade payables	153	-	153
Other accounts payable and accrued expenses	872	-	872
	1,062	729	1,791

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

December 31, 2013:

	Less than one year	3 to 4 Years	Total
	U.S. dollars in thousands		
Government grants	38	777	815
Trade payables	143	-	143
Other accounts payable and accrued expenses	770	-	770
	951	777	1,728

NOTE 20:- SUBSEQUENT EVENTS

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

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

The Board of Directors also approved the grant of annual cash bonus to Mr. Ami Vizer, the Company's Chief Executive Officer and to Mr. Efraim Manea the Company's Chief Financial Officer who are also Directors of the Company, with respect to fiscal year 2015 in accordance with the Company’s Compensation Policy Plan. The granted bonuses are in the amount of up to $125 thousand and NIS125 thousand, respectively, subject to revenues, net profit and share price criteria and milestones.

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SHARE INFORMATION

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

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