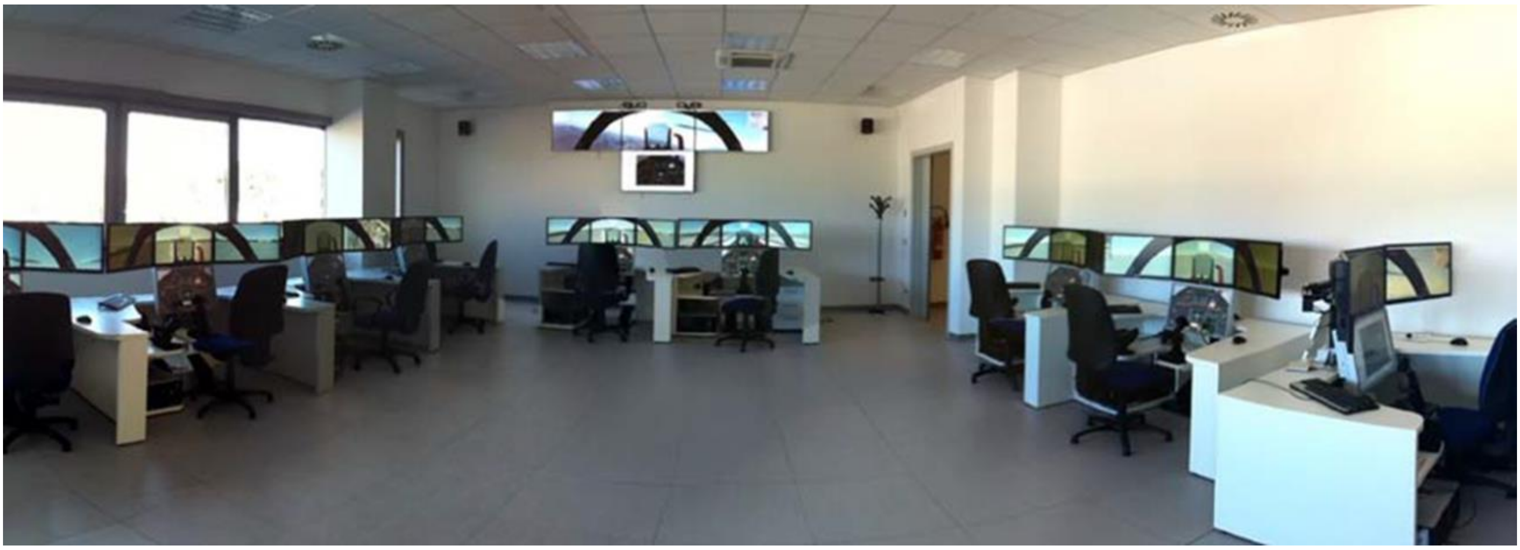
TAKING DISTRIBUTED TRAINING SIMULATION PERSONALLY

'15

2015 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 31% to $1.78 million (2014: $1.36 million)
- Revenues of $6.94 million (2014: $8.32 million)
- Gross margin 78% (2014: 76%)
- Basic and diluted EPS $0.04 (2014: $0.03)
- Annual dividend declared of 0.6 cents per share

Operational Highlights

New major awards:

- Awarded a five year Contractor Logistics Support ("CLS") contract by the U.S. Air Force Air Education Training Command ("AETC") to support and maintain all of the T-6A training simulators used in the training of all Remote Piloted Aircraft ("RPA") students.
- Signed an industrial offset contract to support leading Latin American training and simulation group Corporacion de Alta Tecnologia para la Defensa ("Codaltec").
- Awarded an additional contract valued at $0.8 million from a leading provider in the small tactical Unmanned Aircraft Systems ("UAS") market in which SimiGon supplies the underlying training system technology for the UAS program.
- Awarded $4.0 million contract with Booz Allen Hamilton Engineering Services to provide the U.S. Air Force with software and support for the addition of multiple T-6 simulators.

Delivering on all long term contracts:

- Delivery under the $6.7 million contract signed in June 2013 although on a slower timetable than expected as a result of the client requesting SimiGon to provide a number of deliverables outside of the original contract scope.
- Now in our eighth year supporting Lockheed Martin's F-35 Lightning II Joint Strike Fighter training program ("JSF").
- Continuing long term contracts supporting the UK Military Flying Training System ("UKMFTS") program.
- In the seventh year of a long-term contract to provide training simulations for a strategic European aircraft manufacturer.
- Continuing to meet project milestones for long term contract with Check-6, the Company's first major contract outside the aerospace and defence industry.
- Now in our third year of supporting U.S. Air Force Air Education Training Command on its T-6 Modular training devices.

HIGH SKILLS JOBS REQUIRE ADVANCED, PERSONALIZED TRAINING & SIMULATION

Organizations recognize the need for more Training and Simulation to improve personnel and organizational preparedness and reduce potentially costly work incidents.

Key Trends

Growth in the training and simulation market will continue due to increasing training needs for high skills jobs and proven cost savings available through advances in technology.

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

The Commercial Training & Education market was a $27.7 billion in the US alone.

Commercial training is transitioning to technology-based solutions to save costs, following the longer trend of Military training.

Every professional organization, military or civilian, requires well trained operators in high function, high skill roles. The types and quantities of training systems and training devices required are dependent on the necessary operational skill level and the ratio of operators per system and total amount of systems acquired. Although even the best simulators can't completely replicate the feeling of landing on a moving aircraft carrier; successfully operating a crane on an oil rig; or maintenance service on an F-16, the positive impact of simulation training is well documented. In additional to replicating the operating environment, the cost savings of simulation reduces the training footprint, environmental impact and can ensure a high level of operator readiness for real life conditions. Market drivers in the military sector are the acquisition of new platforms such as aircraft, ships, tanks, and other complex systems. There are many similarities in the civilian sector, also driven by reducing accidents and liabilities by implementing advanced training methods and technologies.

Military and civilian organizations, whether mandated by budget cuts, government regulations or by seeking efficiencies through additional training exercises utilizing training and simulation systems. The cost savings of big simulators versus aircraft flight hours for training tasks ranges between 5% to more than 20% for fighters and multi-engine turbine aircraft.

Cost efficiencies delivered through training technologies such as Intelligent Tutor, an important dynamic training capability that adapts to trainees and enables them to learn at an individual pace. Government and civilian organizations will continue to require cost effective, advanced training and simulation technologies and solutions. SimiGon's comprehensive disruptive training and simulation technologies, solutions and services meet and exceed requirements for effective and efficient training systems delivering significant time and cost savings for customer and partners.

Additional growth drivers are system maintenance, upgrades and support services for existing training devices as well as real life events that spur changes to accepted training practices and require technology upgrades and further investment in training aids, devices and simulators.

The benefits of using simulators for procedural training are recognized and well documented. Higher fidelity devices are used to offload operational and mission training needs.

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

SimiGon is focused on growing its business through several market opportunities.

The credibility SimiGon has gained by delivering advanced simulation based training technologies and solutions as a Prime contractor or as a key technology partner for multi-million dollar contracts is leading to additional business with current customers and new ones. The Company's systems are recognized by end users and partners as one of the best methods for achieving proficiency in complex skills or operations.

High Skills Jobs Require Advanced, Personalized Training & Simulation (Cont.)

Our long track record and expertise in delivering advanced military aviation training solutions continues to present near term and long term business.

The Company is also leveraging its training and simulation expertise in areas such as maintenance training, commercial aviation training, oil and gas industry training and other vertical markets.

According to Deloitte's Global Aerospace & Defense Outlook for 2016, the military subsector is expected to grow due to increases in defense budgets by the US and other key countries around the world. The global Fixed-Wing Aircraft market is expected to be worth US$61.2 billion in 2016 and is expected increase to US$88.9 billion by 2026.

The value of the global military aircraft market is estimated at US$61.5 billion in 2016, and by 2025 is expected to reach a value of US$87.5 billion. The US is anticipated to be the largest spender with a cumulative expenditure of US$260.9 billion over the next decade.

According to the US Department of Defense, as reported by the US General Accounting Office (GAO), basic flight training costs per pilot is about US$1 million while the cost of fully training a pilot to requisite operational experience can be over US$9 million, depending on the type of aircraft.

These costs underline the need to "download" more flight hours to the simulators and training devices.
Another area with strong growth forecasts are in the still-emerging Unmanned Aircraft Vehicles (UAV) subsector, for military and commercial aircraft subsector with considerable growth potential. The Teal Group 2015 market study reports an estimated value of $93 billion by 2024 for the production of UAVs for military and commercial use. The US DoD budgeted $2.9 billion on unmanned aerial systems in fiscal 2016. The USAF Air Combat Commander (ACC), General Herbert "Hawk" Carlisle, stated in a March 2016 testimony to the US Senate Armed Services Committee that the Air Force needed 511 fighter pilots and approximately 200 more UAV operators. Carlisle said that to alleviate the overworked operators, the true shortfall is nearly 500.

Since the US Federal Aviation Administration's initial release of UAV operator requirements, the commercial UAV training sector is expected to create approximately 100,000 new jobs in the first 10 years after unmanned aircraft are cleared for U.S. airspace, according to UAV trade groups.

Non-aerospace companies, including Google, Amazon and Facebook, as well as defense contractors are acquiring UAV manufacturers and hiring experienced operators and engineers.

The global smart education & learning market is estimated to grow more than 24%, from $105.23 Billion in 2015 to $446.85 Billion in 2020. The North American market is expected to be the largest market while APAC is expected to experience a high growth and adoption rate.
The various learning modes in this market, comprised of e-learning, virtual instructor-led training, mobile learning, social learning, simulation-based learning, and adaptive learning, are capabilities that can be delivered within SimiGon's high technology training platform.

In the civilian aviation sector, approximately $122 billion worth of new aircraft were delivered. This is expected to reach $172 billion by 2020. Almost 37,000 commercial airplanes are forecast to be produced over the next 20 years, valued at $5.2 trillion. Along with this, there is a significant need to train new civilian airline pilots over the next 20 years, expected to reach more than 530,000. Together with the aircraft, there is also a corresponding demand for maintenance technicians to maintain fleets over the next 20 years. This is expected to reach 584,000.

SimiGon's advanced training technologies and a methodology, successful in the military aviation market, has an opportunity in this significant market.

The Company will build on its past performance of success to compete and win new contracts in the government and civilian sectors, including training products and services for commercial aviation to increase company growth.

The ability to leverage SimiGon technologies in multiple domains remains constant as the Company has continuously proven in multiple vertical markets. High skills jobs require the advanced, training and simulation management systems and services provided by SimiGon to reach and maintain high levels of operational skill required by professional organizations and communities.

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 delighted to report SimiGon's fifth consecutive year of growth in profitability as a result of continuing to achieve the milestones set out in its strategy.

During year 2015, SimiGon successfully continued to leverage its position as a leading supplier of training and simulation technologies. This included cementing its position as a prime contractor for major, long term simulation training programmes, securing significant new contracts and diversifying its product capabilities. SimiGon has also been focusing on long-term, high value, stable license contracts which provide better revenue and profit visibility rather than on single lump sum license sales. Furthermore, the Company has continued to meet project milestones for long term contracts, executing delivery and performance of its systems. Delivery under the $6.7 million contract signed in June 2013 has continued although on a slower timetable than expected as a result of the client requesting SimiGon to provide a number of deliverables outside of the original contract scope which we expect this now to complete in 2016. 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 15% of the Company's earnings per share.

The required pillars for long term 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. Our recent contract award in 2016 is testament to our ability to enter both a new market and a new territory. Adding SimiGon's strong foundation and successful execution of this strategy, I look to the future with confidence in SimiGon's ability to deliver long term growth.

On behalf of the board, I would like to take this opportunity to thank SimiGon's management, employees and all those involved with SimiGon for their dedication and resourcefulness which led SimiGon to consecutive growth in profit and to express gratitude for their continued commitment in 2016 and beyond.

Alistair Rae
Chairman

Chief Executive's Review

SimiGon is pleased to report another year of strong operational performance and growth in profitability while continuing to execute our growth strategy. During the course of the year we have secured several new, high value contracts. We have also further established our position as a prime contractor providing a highly valued solution to our customers. Despite seeing a reduction in revenue as a result of delays in delivery under the $6.7 million contract signed in June 2013 we are encouraged to see that our net profit and profit margins have improved.

Looking ahead, we will continue to leverage our position in the market and our global footprint to build new partnerships, expand our customer base, and target large contracts. In line with market requirements the Company is focusing more and more on high value, long term license contracts. The transition to these long term contracts may lead to lower revenue from these contracts in the early years but is expected to give much better long term revenue and profit visibility to the Company. The Board's confidence in its ability to deliver growth over the long term is demonstrated by the Company's continued annual dividend distribution.

Overview

SimiGon is pleased to report another year of increased profitability which has been achieved due to both new business being won in the period and an increase in recurring revenues from existing strategic partners. SimiGon recorded a net profit of $1.78 million in 2015 compared to $1.36 million in 2014 and revenues of $6.94 million compared to $8.32 million in 2014. The strong profit performance, despite the decrease in revenue in 2015, is mainly as a result of a change in the Company's sales mix, primarily due to its long term $6.7 million dollar contract signed in June 2013. Research and development expenses decreased from $2.38 in 2014 to $1.47 million in 2015 which is reflective of the Company's focus on cost control while still investing sufficient funds in developing its products to ensure future success.

SimiGon continued to improve its position as a technology and services provider for large simulation training programs in 2015. The Company operates as a key supplier of training and simulation technologies for the world's largest military flight training programmes and has seen further growth into vertical markets such as civil aviation training and industrial training solutions.

SimiGon's ability to capture more market share due to its participation in the largest global simulation and training projects enables the Company to increase its strategic business scope and potential revenue streams. The Company's goals are to compete as a prime contractor and strategic technology provider. Aside from being advantageous in acquiring a larger share of contracts, this enables the Company to establish a long term relationship with the end user organization.

Our market position as a preferred supplier for simulation and training technologies and solutions has been strengthened by our work in the past year. Our foundation of new contracts and support contracts, in tandem with our growth strategy, positions the Company to enjoy what the Directors believe will be a period of long term growth.

SimiGon is focused on developing strategic programs that will enhance the Company's long term growth. Our ability to grow the business and improve our financial performance is evident in our robust pipeline of new opportunities for 2016 and beyond and the greater transparency in revenue streams.

Operational Review

SimiGon is a fast-growing company, dedicated to developing strategic, simulation-based training programs. This development is allowing expansion into vertical markets, including civil aviation training and industrial training, as well as boosting long term growth. SimiGon has consolidated its position as technology provider of choice for large simulation training programs, as well as a strategic supplier of training and simulation technologies for the worlds' largest military flight training programmes. As such, our industry-leading position remains well established.

SimiGon continues to increase its visibility of the market and of new opportunities available to it as a prime contractor and strategic partner.

The Company continues to benefit from direct relationships with the end user and, as the business and our reputation grows, SimiGon will be in a stronger position to compete for and win far larger contracts.

Delivery of a major contract as prime contractor

SimiGon announced in June 2013 that it had signed a contract valued at $6.7 million for a major training program. This was a milestone contract for the Company in terms of the geographic region, the contract value and the programme scope.

Delivery under this contract has continued during 2015 although on a slower timetable than expected as a result of the client requesting SimiGon to provide a number of deliverables outside of the original contract scope. As part of SimiGon's drive to support all its clients, the Company has been prepared to agree to these new demands and it looks forward to meeting the delivery milestones during the course of 2016.

The Company expects that its strong performance will put it in a good position to win similar programmes in other countries and regions in the future.

Expansion into the civil aviation market

In June 2015, SimiGon entered the Latin American civil aviation market by establishing a subsidiary incorporated in Colombia (the "Subsidiary").

SimiGon's move into the civil aviation market has been a long term strategic goal for the Company. Taking into account the potential of the fast growing Latin American aviation market, the Subsidiary provides an ideal platform for SimiGon to enter an attractive growth sector and region.

New contract wins

In May 2015, SimiGon was awarded a five year Contractor Logistics Support ("CLS") contract by the U.S. Air Force Air Education Training Command ("AETC") to support and maintain all of the T-6A training simulators used in the training of all Remote Piloted Aircraft ("RPA") students. The first year base value of the contract is $0.33 million with a total contract value of $1.66 million over an expected period of five years.

This contract builds on the successful delivery and performance of systems provided by SimiGon as a prime contractor for the U.S. Air Force since September 2011. It strengthens the Company's position as a supplier of choice in the provision of simulation training solutions while, at the same time, demonstrating that SimiGon has the capability to develop and support the unmanned aircraft training sector which is a rapidly growing segment worldwide.

As announced in June 2015, SimiGon signed a new technical support agreement to provide Corporacion de Alta Tecnologia para la Defensa ("Codaltec"), a leading Colombian high technology corporation. Subsequent to the successful delivery and performance of SimiGon's systems and additional SimiGon software licenses purchases announced during September 2014, SimiGon will deliver under this contract, additional technical support services, as part of an industrial offset agreement.

Codaltec was formed in August 2012 by the Colombian government to meet the defense sector's needs, including training and simulation. Being one of the largest and most successful groups utilizing SimiGon's SIMbox training and simulation software platform, Codaltec is considered a highly valued strategic partner for SimiGon.

In August 2015 SimiGon was awarded an additional $0.8 million contract from a leading provider in the small tactical Unmanned Aircraft Systems ("UAS") market in which SimiGon have supplied the underlying training system technology for the UAS program. The contract demonstrates SimiGon's ability to provide successful training solutions and highlights the Company's growing footprint in the UAS market.

In December 2015 SimiGon was awarded a $4 million contract with Booz Allen Hamilton Engineering Services, LLC ("Booz Allen ES") to provide the U.S. Air Force with support and software for the addition of multiple T-6 simulators for the RPA training simulators ("the Contract"). The initial phase of the Contract is worth $0.92 million and includes the procurement of the SIMbox software technology, T-6 model content and integration for six newly fabricated RPA training simulators.

Long term contracts

The Company has a growing portfolio of long term partnerships that continue to develop into further business and provide good revenue visibility. Many of these partnerships are expected to continue with additional purchases through 2016 and beyond.

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 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 expecting this partnership to be extended with additional agreements.

The maintenance and support contract from the USAF for the SIMbox based T-6A Modular Training Devices SimiGon delivered as part of a June 2011 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. SimiGon's technology is now being operated on a daily basis in 3 different training centers and is receiving high customer satisfaction reviews. SimiGon is confident that this relationship will continue and should lead to additional orders in the future.

SimiGon maintains its close relationship with a major existing European customer that it has been working with since 2009. SimiGon's technology is now being operated on a daily basis in 3 different training centers and is receiving high customer satisfaction reviews. SimiGon is confident that this relationship will continue and should lead to additional orders in the future.

SimiGon continues to provide successful solutions for Unmanned Aerial Vehicle ("UAV") training for a leading provider in the small tactical unmanned aircraft systems. Through SimiGon's ecosystem of partners worldwide, the Company's technology is used to support initial operator training in classrooms as well as advanced operational training. SimiGon continues to increase its footprint in the fast growing UAV market.

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 15% of the Company's earnings per share and to approximately 17.2% of the Company's net profit. The dividend will be payable on Friday 27 May 2016. The record date for payment of the dividend will be Friday 6 May 2016. The ex-dividend date will be Thursday 5 May 2016.

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 on Wednesday 4 May 2016.

Financial Performance

Revenue for the year ended 31 December 2015 was $6.94 million, compared to $8.32 million in 2014. In terms of regional breakdown, 56% of SimiGon's revenues came from North America (2014: 50%), 27% from Europe, Middle East, South America and Australia (2014: 14%) and 17% from the Far East (2014: 36%).

Gross profit for the year ended 31 December 2015 was $5.4 million, as compared to $6.33 million for the year ended 31 December 2014. Accordingly, gross margins increased to 78% for the year ended 31 December 2015 as compared to 76% for the year ended 31 December 2014.

Net profit for the fiscal year increased by 31% to $1.78 million (2014: profit of $1.36 million).

Total operating expenses for the year ended 31 December 2015 decreased by 25% to $3.77 million as compared to $5.02 million for the year ended 31 December 2014. Research and development expenses for year ended 31 December 2015 decreased by 38% to $1.47 million as compared to $2.38 million for the year ended 31 December 2014, mainly due to lower salary expenses. Marketing expenses for the year ended 31 December 2015 decreased by 15% to $1.25 million as compared to $1.46 million for the year ended 31 December 2014 mainly due consultant's fees.

General and administration expenses for the year ended 31 December 2015 decreased by 11% to $1.05 million as compared to $1.18 million the year ended 31 December 2014 mainly due to the collection of debts for which provisions for doubtful debts were recorded in the prior period.

The Company has recorded a net income tax credit of $0.15 million for the year ended 31 December 2015 mainly as a result of creating a deferred tax asset of $0.16 million in relation to the expected utilization of carry forward losses against expected income in future years.

As a consequence of the factors above, operating profit for the year ended 31 December 2015 amounted to $1.64 million, improving upon the performance for the year ended 31 December 2014. Net basic and diluted earnings per share increased to $0.04 for the year ended 31 December 2015 as compared to $0.03 for the year ended 31 December 2014.

As at 31 December 2015 the Company had liquid cash of $7.41 million (2014: $9.44 million) and trade receivables of $3.72 million compared to $0.51 million for the year ended 31 December 2014. $1.82 million of the year end trade receivables balance has been collected since the year end.

Outlook

As a result of achieving strategic milestones, SimiGon continues to deliver strong growth in profitability. The Company's goal of being a prime contractor and technology provider for major, long term simulation training programmes is being achieved and it continues to secure significant new contracts while diversifying its markets.

The transitioning into high value long term license contracts in order to meet market requirements may lead to lower revenue from these contracts in the early years, but in the long term, is expected to give SimiGon much better revenue and profits visibility.

The Board of Directors looks to the future with expectations to successfully deliver long term growth.

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.

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.

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.

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 dollardeals with tier-one companies and managed business development activities with potential partners worldwide.

Nevat Simon, Independent Non-Executive Director (until December 30, 2015)

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.

Dr. Vered Shany, Independent Non-Executive Director (until December 30, 2015)

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.

Ran Pappo, Independent Non-Executive Director (effective December 30, 2015)

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

Deborah M. Bitman, Independent Non-Executive Director (effective December 30, 2015)

Mrs. Deborah M. Bitman has extensive experience on school improvement committees and other school activities and programs. Mrs. Bitman works with various educators to address curriculum standards and needs. Working as a director at the Jewish Academy of Orlando, she has great experience in school policy guidance, budget review, future plans, and creating and managing educational curriculum. Mrs. Deborah M. Bitman holds a Bachelor in English from the University of Michigan in Ann Arbor and a Masters in Elementary Education from Indiana University in Bloomington.

DISPLAYING PERSONAL COMMITMENT TO ORGANIZATIONAL SUCCESS (CONT.)

Management

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.

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.

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.

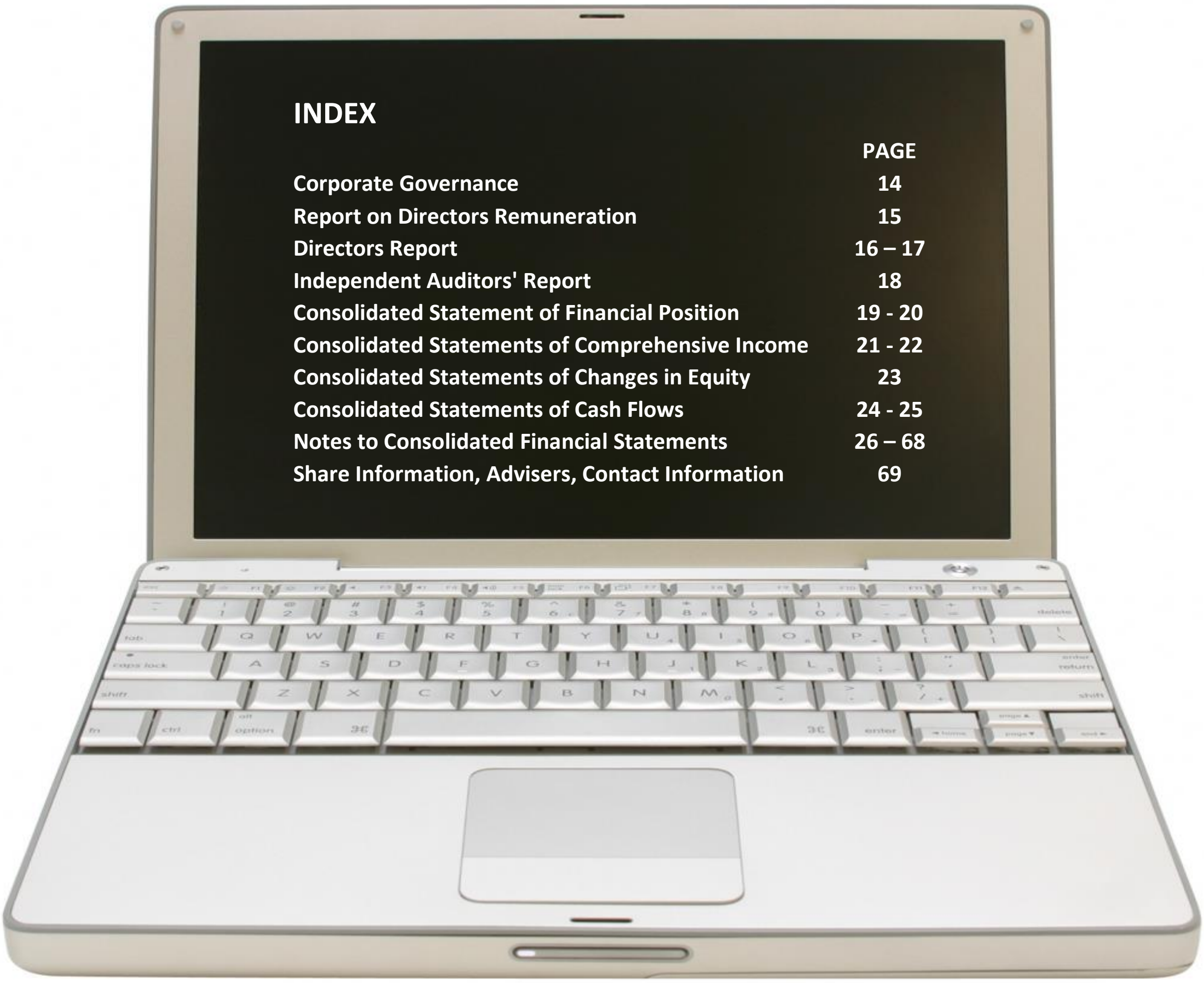
Merav Nahmani, Director of Human Resources

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, 2015

(U.S. Dollars in Thousands)



Corporate Governance For The Period Ended 31 December 2015

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 2015	Total 2014
Executive	**$**	**$**
Ami Vizer *	408,275	408,082
Efraim Manea **	123,689	134,397
Non-Executive		
Alistair Rae	53,348	53,772
Eitan Cohen	26,400	26,400
Nevat Simon	26,400	26,400
Dr. Vered Shany	26,400	26,400
Total	**664,512**	**675,451**

* Year 2015 does not include $19,583 paid in respect of vacation days, additional $28,721 paid in respect of severance allocation transfer, additional $35,144 paid in respect to health insurance, a bonus of $79,609 paid in respect to year 2014 performance and a bonus provision of $62,500 in respect to year 2015 performance .

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, bonus of $116,000 paid in respect to year 2013 performance and a bonus provision of $79,609 in respect to year 2014 performance which was paid in year 2015.

** Year 2015 does not include bonus of $20,470 paid in respect to year 2014 performance and a bonus provision of $ 16,121 in respect to year 2015.

Year 2014 does not include bonus of $32,826 paid in respect to year 2013 performance and a bonus provision of $20,470 in respect to year 2014 paid in year 2015.

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, 2015 the total numbers of Ordinary Shares Issued were 50,993,154.

Share Options

As of 31 December 2015, the outstanding balance of options granted to certain employees of SimiGon is approximately 2.7 percent of the Company's issued and outstanding shares at an average exercise price of $0.4. 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:

- Mr. Amos Vizer has been an executive director of the Company since 4 November 1998.
- Mr. Efraim Manea was appointed as an executive director on July 30, 2010.
- Mr. Alistair Rae, appointed as a director and Chairman of the Board on 27 October 2006.
- Mr. Nevat Simon, appointed as an independent director on 27 October 2006. On December 30, 2015 Mr. Ran Pappo was appointed as an independent external, replacing Mr. Nevat Simon.
- Dr. Vered Shany, appointed as an independent director on 27 October 2006. On December 30, 2015 Mrs. Deborah M Bitman appointed as an independent external, replacing Dr. Vered Shany.
- 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 2015 were as follows.

Directors	Number of Ordinary Shares Capital	Percentage of Ordinary shares	Shares to be issued	Options
Alistair Rae	202,249	0.40	25,000	-
Eitan Cohen	72,000	0.14	25,000	-
Dr. Vered Shany	72,000	0.14	25,000	-
Nevat Simon	72,000	0.14	25,000	-
Ami Vizer	11,064,454	21.70	-	351,038
Efraim Manea	284,346	0.56	-	50,000

Substantial Shareholdings

At 31, December 2015 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	11,064,454	21.70
Jeffrey Braun	6,543,039	12.83
Herald Investment Management Limited	5,050,000	9.90
Yorkville Global Master SPV, Ltd.	4,030,000	7.90
Green Venture Capital Ltd.	3,067,848	6.02
G. Poran Holding Ltd	2,273,444	4.46
Shroder Euroclear Nominees Limited	1,711,070	3.36

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, 2015 and 2014, 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, 2015, 2014 and 2013, 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, 2015 and 2014, and its financial performance and cash flows for each of the years ended December 31, 2015, 2014 and 2013, in accordance with International Financial Reporting Standards as adopted by the European Union.

14 April, 2016
Tel-Aviv, Israel

Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2015	2014
	Note	U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		5,545	6,490
Short-term investments	3	1,867	2,952
Trade receivables	4	3,715	506
Other accounts receivable and prepaid expenses		59	51
Total current assets		11,186	9,999
NON-CURRENT ASSETS:			
Restricted cash	5	374	374
Long-term prepaid expenses		12	29
Deferred tax		159	-
Property, plant and equipment	6	82	103
Goodwill and intangible asset	7	1,122	1,173
Total non-current assets		1,749	1,679
Total assets		12,935	11,678

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2015	December 31, 2014
		U.S. dollars in thousands	
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Trade payables		123	153
Deferred revenues		574	925
Other accounts payable and accrued expenses	8	875	909
Total current liabilities		1,572	1,987
NON-CURRENT LIABILITIES:			
Employee benefit liabilities	9	192	178
Other non-current liabilities	13a	722	729
Total non-current liabilities		914	907
Total liabilities		2,486	2,894
EQUITY:	10		
Share capital		124	121
Additional paid-in capital		16,526	16,350
Accumulated deficit		(6,201)	(7,687)
Total equity		10,449	8,784
Total liabilities and equity		12,935	11,678

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

14 April, 2016			
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

	Note	Year ended December 31,		
		2015	2014	2013
		U.S. dollars in thousands (except share and per share amounts)		
Revenues	15	6,935	8,316	8,172
Cost of revenues	14a	1,534	1,989	2,070
Gross profit		5,401	6,327	6,102
Operating expenses:				
Research and development	14b	1,472	2,381	2,404
Selling and marketing	14c	1,245	1,458	1,652
General and administrative	14d	1,048	1,181	1,048
Total operating expenses		3,765	5,020	5,104
Operating profit		1,636	1,307	998
Finance income	14e	74	178	57
Finance expenses	14f	82	127	159
Income before income taxes		1,628	1,358	896
Income tax benefit	12	154	-	-
Net income		1,782	1,358	896

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2015	2014	2013
		U.S. dollars in thousands (except share and per share amounts)		
Net income		1,782	1,358	896
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gain from defined benefit plan		4	6	-
Total comprehensive income		1,786	1,364	896
Basic and diluted earnings per share in U.S. dollars		0.04	0.03	0.02
Weighted average number of shares used in computing basic earnings per share (in thousands)	14	50,683	48,854	47,188
Weighted average number of shares used in computing diluted earnings per share (in thousands)	14	50,818	49,085	49,131

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, 2013	47,153,179	113	16,110	(9,678)	6,545
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
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 10a7)	2,786,984	8	12	-	20
Balance as of December 31, 2014	50,079,690	121	16,350	(7,687)	8,784
Total comprehensive income				1,786	1,786
Dividend distribution	-	-	-	(300)	(300)
Share-based compensation	-	-	65	-	65
Share issuance (Note 10 a9)	285,000	1	107	-	108
Exercise of stock options (Note 10a2 and 10a10 till 10a12)	628,464	2	4	-	6
Balance as of December 31, 2015	50,993,154	124	16,526	(6,201)	10,449

*) Represents an amount lower than $ 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	**2014**	**2013**
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income	1,782	1,358	896
Adjustments to reconcile net income to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	88	101	98
Deferred tax	(159)	-	-
Finance expense (income), net	(34)	(9)	(1)
Share-based compensation	65	90	137
Change in employee benefit liabilities, net	19	6	36
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(3,209)	(257)	407
Decrease (increase) in other accounts receivable and prepaid expenses (including long-term)	11	28	(21)
Increase (decrease) in trade payables	(30)	10	3
Increase (decrease) in deferred revenues	(351)	(293)	213
Increase in other accounts payable and accrued expenses	99	53	160
	(3,501)	(271)	1,032
Net cash provided by operating activities	(1,719)	1,087	1,929

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands		
Cash flows from investing activities:			
Decrease (increase) in short-term investments	1,086	(2,943)	-
Decrease (increase) in restricted cash	-	30	(381)
Decrease in short-term bank deposits	-	511	45
Increase in long-term deposits	(2)	-	(12)
Purchase of fixed assets	(16)	(39)	(30)
Net cash used in investing activities	1,068	(2,441)	(378)
Cash flows from financing activities:			
Proceeds from share issuance	1	-	-
Exercise of stock options	5	13	1
Dividend distribution	(300)	(269)	-
Repayment of refundable grants	-	-	(2)
Net cash used in financing activities	(294)	(256)	(1)
Increase (decrease) in cash and cash equivalents	(945)	(1,610)	1,550
Cash and cash equivalents at beginning of year	6,490	8,100	6,550
Cash and cash equivalents at end of year	5,545	6,490	8,100
(a) Supplemental disclosure of non-cash financing activities:			
Receivable in respect of issuance of shares	2	7	-
Issuance of shares in respect of 2014 annual bonus to employees	108	-	-

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 and a wholly-owned subsidiary in Singapore, SimiGon Pte Ltd which is engaged in marketing of the Company's products in the Far East and a subsidiary in Colombia for the purpose of marketing the Company’s products in South America.

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, as defined in IFRS 10.
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 as adopted by the European Union ("IFRS as adopted by the EU").

b. Functional currency, presentation currency and foreign currency:

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

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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company did not recognize an allowance in respect of groups of trade receivables that are collectively assessed for impairment due to immateriality. Impaired receivables 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).

b) Loans and Receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method and less any impairment losses. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

i. 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.

j. 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

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

k. Intangible assets:

Intangible assets (Technology) acquired in a business combination are included at fair value at the acquisition date. 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 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 is recognized in the profit or loss.

The useful life of the Technology is 10 years.

l. 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.

m. Impairment of non-financial assets:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

n. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. 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.

o. 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, 2015 and 2014, 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

p. 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.

q. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Employee benefits:

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

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

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

s. Fair value of financial instruments:

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

t. 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 .

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

u. Finance income and expenses:

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

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

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

1. Judgments:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Estimates and assumptions:

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

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

- Chief Scientist grants:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Taxes on income:

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

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

2. Deferred taxes:

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

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

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

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

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

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

<u>IFRS 15, "Revenue from Contracts with Customers":</u>

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of comparative periods is required.

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

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognizing 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.

<u>Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities:</u>

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", ("the amendments") which require additional disclosures regarding financial liabilities. The amendments require disclosure of the changes between the opening balance and the closing balance of financial liabilities, including changes from cash flows, changes arising from obtaining or losing control of subsidiaries, the effect of changes in foreign exchange rates and changes in fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017. Comparative information for periods prior to the effective date of the amendments is not required. Early application is permitted.

The Company will include the necessary disclosures in the financial statements when applicable.

<u>IFRS 16, "Leases"</u>

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

According to the new Standard:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expenses separately.

- The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15 is applied concurrently.

The Company believes that the new Standard is not expected to have a material impact on the financial statements.

NOTE 3:- SHORT-TERM INVESTMENTS

	December 31, 2015	December 31, 2014
	U.S. dollars in thousands	
Financial assets classified as held for trading at fair value through profit or loss- Mutual Funds *)	1,867	2,952

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

NOTE 4: - TRADE RECEIVABLES

	December 31, 2015	December 31, 2014
	U.S. dollars in thousands	
Trade receivables (1)	3,715	506
(1) Net of allowance for doubtful debts	224	302

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					
2015	3,579	-	72	-	64	3,715
2014	131	41	13	305	16	506

NOTE 5:- RESTRICTED CASH

a. As part of a $ 6.7 million contract signed in May 2013 in which the Company 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. On April 8, 2016, the expiration date of the Performance Bond has been extended to October 15, 2017.

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

c. As part of its 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, 2014	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
Disposal during the year	(10)	-	-	(10)
Acquisitions during the year	8	8	-	16
Balance as of December 31, 2015	745	212	55	1,012
Accumulated depreciation:				
Balance as of January 1, 2014	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
Disposal during the year	(10)	-	-	(10)
Depreciation during the year	24	13	-	37
Balance as of December 31, 2015	719	158	53	930
Depreciated cost as of December 31, 2015	26	54	2	82
Depreciated cost as of December 31, 2014	42	59	2	103

NOTE 7:- GOODWILL AND INTANGIBLE ASSET

	Carrying amount as of December 31,	
	2015	2014
	U.S. dollars in thousands	
Technology **)	54	105
Goodwill *)	1,068	1,068
Total	1,122	1,173

*) As the activities of Visual Training Solution Group ("VTSG") have been fully integrated into those of the Company, the goodwill arising in the acquisition of VTSG is evaluated for impairment purposes as part of the cash generating unit representing the Company. As of December 31, 2015, the recoverable amount determined based on the fair value of the Company's shares exceeded significantly the carrying amount of the Company's net assets (equity), and therefore, no provision for impairment was recorded.

**) During the years ended December 31, 2015, 2014 and 2013, the Company recorded amortization in the amount of $ 51 thousand, $ 50 thousand and $ 51 thousand, respectively, which was recorded in cost of revenues.

NOTE 8:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2015	2014
	U.S. dollars in thousands	
Employees and payroll accruals	554	594
Accrued expenses	321	315
	875	909

NOTE 9:- EMPLOYEE BENEFIT LIABILITIES, NET

a. Post-employment benefits:

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

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

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

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

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands		
Current service cost	46	50	48
Interest cost	7	7	7
Exchange rate	(1)	(20)_	10
Total expense included in profit or loss	52	37	65

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

Composition:

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands		
Balance at January 1	178	177	141
Interest cost	7	7	7
Exchange rate	(1)	(21)	10
Current service cost	46	50	48
Benefits paid	(34)	(29)	(29)
Net actuarial loss (gain)	(4)	(6)	*) -
Balance at December 31	192	178	177

d. The actuarial assumptions used are as follows:

	Year ended December 31,		
	2015	2014	2013
Discount rate	4.13%	3.83%	4.26%
Future salary increases	3.55%	3.80%	4.43%
Average expected remaining working years	7.57	6.78	6.65

	Year ended December 31,		
	2015	2014	2013
	U.S. in thousands		
Gain in respect of defined contribution plans	4	6	-

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.

   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.

NOTE 10:- EQUITY (Cont.)

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.

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

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

   The Board of Directors also approved the grant of an 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.

NOTE 10:- EQUITY (Cont.)

The bonuses granted to Mr. Ami Vizer and Mr. Efraim Manea are in the amount of up to $125 thousand and NIS125 thousand, respectively, subject to revenues, net profit and share price criteria and milestones (see Note 17a).

10. 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.

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

12. Further to Note 10a2 in the Company’s 2014 annual financial statements, on April 27, 2015, a total of 600,270 options were exercised under the Company’s Stock Option Plan by the Company’s CEO, Mr. Ami Vizer, who is also a Director of the Company, into Ordinary shares at an exercise price of NIS 0.01 each.

b. Composition of share capital:

	December 31, 2015, 2014 and 2013	December 31,		
		2015	2014	2013
	Authorized	Issued and outstanding		
	Number of shares			
Ordinary shares of NIS 0.01 par value each	100,000,000	50,993,154	50,079,690	47,292,706

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, 2015, an aggregate of 1,871,510 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.

NOTE 10:- EQUITY (Cont.)

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.

The fair value of share options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following are the inputs to the model used for the years ended December 31, 2014 and 2013: risk-free interest rate of 1% for year 2014 and risk-free interest rate ranging from 0.87%-1.92% for year 2013; 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 and 2013 were $ 0.43 and $ 0.38, respectively.

A summary of the activity in options to employees, consultants, and directors (including the senior management, see d. below) for the years 2015, 2014 and 2013 is as follows:

	Year ended December 31,					
	2015		2014		2013	
	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	2,121,188	$ 0.297	4,962,471	$ 0.134	5,021,788	$ 0.133
Granted	-	-	227,000	$ 0.425	305,000	$ 0.377
Exercised	(628,464)	$ 0.008	(2,786,984)	$ 0.007	(19,800)	$ 0.043
Expired	(22,050)	$ 0.6	(128,300)	$ 0.6	-	$ -
Forfeited	(84,167)	$ 0.417	(152,999)	$ 0.214	(344,517)	$ 0.053
Outstanding at end of year	1,386,507	$ 0.416	2,121,188	$ 0.297	4,962,471	$ 0.134
Exercisable options	958,585	$ 0.393	908,481	$ 0.409	2,549,519	$ 0.187

NOTE 10:- EQUITY (Cont.)

The options outstanding as of December 31, 2015, have been separated into ranges of exercise price as follows:

Exercise price	Options outstanding as of December 31, 2015	Weighted average remaining contractual life (years)	Options exercisable as of December 31, 2015
$ 0.002 - $ 0.224	719,507	5.6	646,312
$ 0.335 - $ 1.2	472,000	1.96	147,273
$ 1.33 - $ 2.5	195,000	1.43	165,000
	1,386,507		958,585

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.

NOTE 10:- EQUITY (Cont.)

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.

Further to the above and to note 2a6, 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 and 2013, the Company recorded share-based compensation expenses in a total of $ 46 thousand and $ 66 thousand in respect to the CEO, respectively.

NOTE 10:- EQUITY (Cont.)

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.

For the years ended December 31, 2015, 2014 and 2013, the Company recorded share-based compensation expenses in a total of $ 28 thousand, $ 46 thousand and $ 66 thousand, in respect to the shares granted to the CEO, respectively.

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, 2015, the Joint Venture hasn’t started to operate, yet.

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.

NOTE 12:- INCOME TAXES (Cont.)

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. The change in the tax rate will have immaterial effects on the Company.

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

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

NOTE 12:- INCOME TAXES (Cont.)

Tax benefits are available under the Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of the company's business income from export. In order to receive the tax benefits, the Amendment states that a company must make an investment in the 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 2012 - 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.

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

NOTE 12:- INCOME TAXES (Cont.)

c. Carryforward losses:

Domestic:

As of December 31, 2015, 2014 and 2013, the Company had accumulated losses for Israeli tax purposes of approximately $ 0.3 million, $ 1.5 million and $ 2.6 million, respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period (See Note f below).

Foreign:

As of December 31, 2015, 2014 and 2013, the federal tax loss carryforwards of the U.S. subsidiaries amounted to approximately $ 5.4 million, $ 5.8 million and $ 6.4 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, 2015 and 2014, the tax loss carryforwards of the Singaporean subsidiary amounted to approximately $ 74 thousands and $ 67 thousands; respectively, which may be carried forward, in order to offset taxable income in the future, for an indefinite period.

d. Deferred tax:

As of December 31, 2015, deferred tax assets of $ 159 thousand were recorded in respect of certain operating losses. Deferred tax assets relating to the balance of 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 was 24% in 2011 and 25% in 2012 and 2013. 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:

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%.

NOTE 12:- INCOME TAXES (Cont.)

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. As of the date of approval of these financial statements, these regulations have not been issued.

On January 4, 2016, the Israeli Parliament's Plenum approved by a second and third reading the Bill for Amending the Income Tax Ordinance (No. 217) (Reduction of Corporate Tax Rate), 2015, which includes a reduction of the corporate tax rate from 26.5% to 25%.

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.

g. Tax reconciliation:

In 2014 and 2013, the main reconciling item between tax expense, assuming income before taxes was taxed at the statutory tax rate of the Company, and the tax expense recorded in profit or loss is carryforward tax losses and tax exemption for which no deferred taxes were provided. In 2015, the income tax benefit recorded in profit or loss is due to the recognition of carryforward losses which were not recognized in prior years –see item c. above.

NOTE 13:- OTHER LIABILITIES AND COMMITMENTS

a. Royalty commitments:

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

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

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

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

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

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

   As of December 31, 2015, the Company received a total amount of $ 254 thousand.

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

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, 2015 and 2014 was $ 206 thousand and $ 211 thousand, respectively.

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

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

   As of December 31, 2015, 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, 2015 and 2014 was $ 444 thousand and $ 448 thousand, respectively.

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

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

As of December 31, 2015, 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, 2015 and 2014 was $ 72 thousand and $ 70 thousand, respectively.

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

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

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.

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

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

Year ended December 31,	U.S. dollars in thousands
2016	192
2017	124
	316

The total expense for the years ended December 31, 2015, 2014 and 2013 was $ 266 thousand, $ 342 thousand and $ 317 thousand, respectively.

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

		Year ended December 31,		
		2015	2014	2013
		U.S. dollars in thousands		
a.	Cost of revenues:			
	Salaries and related benefits	910	946	595
	Lease and office maintenance	148	151	72
	Travel expenses	185	149	139
	Depreciation and amortization	66	69	59
	Share-based compensation	13	15	14
	Subcontractors	212	659	1,191
		1,534	1,989	2,070
b.	Research and development expenses:			
	Salaries and related benefits	1,436	2,060	2,084
	Lease and office maintenance	173	312	319
	Depreciation and amortization	13	21	25
	Share-based compensation	12	13	16
	Other	(121)	-	2
	Government grants	(41)	(25)	(44)
		1,472	2,381	2,404
c.	Selling and marketing expenses:			
	Salaries and related benefits	1,006	1,042	1,118
	Lease and office maintenance	59	66	80
	Consultant fees	-	101	123
	Advertising and sales promotion	33	32	41
	Travel expenses	77	102	92
	Depreciation and amortization	6	7	9
	Share-based compensation	38	60	93
	Commission	26	45	96
		1,245	1,458	1,652
d.	General and administrative expenses:			
	Salaries and related benefits	648	659	681
	Lease and office maintenance	63	58	63
	Travel expenses	11	26	14
	Professional fees and public company expenses	394	425	314
	Depreciation and amortization	3	4	5
	Share-based compensation	2	2	14
	Doubtful debt provision	(78)	-	(43)
	Other	5	7	-
		1,048	1,181	1,048

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

	Year ended December 31,		
	2015	**2014**	**2013**
	U.S. dollars in thousands		
e. Finance income:			
Exchange rate differences	67	132	56
Government grants interest	-	37	-
Interest income from banks and short term investments	7	9	1
	74	178	57
f. Finance cost:			
Exchange rate differences	74	120	124
Government grants interest	4	-	29
Bank loans and fees	4	7	6
	82	127	159

NOTE 15:- REVENUES

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

a. Revenues:

	Year ended December 31,		
	2015	**2014**	**2013**
	U.S. dollars in thousands		
Software licenses and customization	5,449	6,798	6,356
Recurring Maintenance & Support	1,460	1,466	1,745
Training	26	52	71
	6,935	8,316	8,172

NOTE 15:- REVENUES (Cont.)

b. Geographical information:

Revenues classified by geographical destinations based on the customer location:

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands		
North America	3,884	4,166	5,032
Asia Pacific	1,172	2,963	1,741
Rest of the world (1)	1,879	1,187	1,399
	6,935	8,316	8,172

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

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,		
	2015	2014	2013
	U.S. dollars in thousands		
Asia Pacific and rest of the world	30	43	41
North America	1,174	1,233	1,297
	1,204	1,276	1,338

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,		
	2015	2014	2013
Customer A	21%	22%	21%
Customer B	3%	7%	10%
Customer C	29%	20%	15%
Customer D	5%	3%	21%
Customer E	11%	5%	4%
Customer F	16%	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,		
	2015	2014	2013
	U.S. dollars in thousands		
Net income for the year	1,782	1,358	896

	2015	2014	2013
Weighted average number of Ordinary shares for computing basic earnings (loss) per share	50,683	48,854	47,188
Effect of dilution:			
Share options	135	231	1,943
Weighted average number of Ordinary shares adjusted for the effect of dilution	50,818	49,085	49,131

NOTE 17:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Year ended December 31,		
	2015	2014	2013
	U.S. dollars in thousands		
a. Compensation of key management personnel of the Company:			
Employee benefits *)	1,621	1,628	1,560
Share-based payments **)	41	55	83
	1,662	1,683	1,643

*) Includes long-term employee benefits in the amount of $ 8 thousand and $ 11 thousand for the years ended December 31, 2015 and 2014, respectively.

Year 2015 includes bonus provision to VP Marketing with respect to fiscal year 2015 in the amount of $ 23 thousand.

As disclosed under Note 10a9, year 2014 includes bonus payment 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.

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

Year 2015 includes bonus provision to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2015 in the amount of $ 16 thousand (see Note 17d). 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 2015 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 $ 63 thousand (see Note 17e). 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).

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 2015 and 2014 include share-based compensation of $ 28 thousand and $ 46 thousand, respectively, due the Share Bonus Plan as described under Note 10e, in respect to the CEO.

Year 2013 includes share-based compensation of $ 15 thousand and $ 17 thousand in respect of Options granted in section 1 under Note 10d, to the CEO and senior management, respectively. Year 2012 includes share-based compensation of $ 15 thousand and $ 12 thousand in respect of options granted in section 1 under Note 10d, to the CEO and senior management, respectively.

b. Balances with related parties:

Balances with related parties as of December 31, 2015 and December 31, 2014 amount to $ 108,261 and $ 103,658.

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.

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

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. The actual bonus was paid on May 2014 and amounted to $ 34 thousand.

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. The actual bonus was paid on May 2015 and amounted to $ 21 thousand.

On February 26, 2015, the Board of Directors approved the grant of a one-time cash bonus to Mr. Efraim Manea, a director of the Company and its CFO with respect to fiscal year 2015 in accordance to the Company's Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $ 35 thousand, subject to revenues, net profit and share price criteria and milestones.

As of December 31, 2015, the Company has made a provision of $ 16 thousand in respect of its CFO annual bonus for year 2015.

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

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

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

On February 26 2015, the Board of Directors approved the grant to Mr. Ami Vizer, the Company's Chief Executive Officer and executive director of a one-time cash bonus to with respect to fiscal year 2015 in accordance with the Company's Compensation Policy Plan mentioned above. The granted bonus is in the amount of up to $ 125 thousand, subject to revenues, net profit and share price criteria and milestones.

As of December 31, 2015, the Company has made a provision of $ 63 thousand in respect of Mr. Ami Vizer annual bonus for year 2015.

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 2015 amounted to an annual salary of $ 359 thousand, related benefits include bonus for 2014 fiscal year of $ 80 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 $ 35 thousand. In addition, the Company has made a provision for 2015 bonus of $ 63 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.

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

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

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.

On May 18 2014, the consultant Agreement was terminated and the Company offset the above loan against fees due to Mr. Weitz.

NOTE 18:- DIVIDEND DISTRIBUTION

a. On May 2014 the Company's Board paid a dividend in an amount of $ 269 thousands (approximately $ 0.543 cent per share).

b. On May 2015 the Company paid a dividend in an amount of $300 thousand (0.6 cents per share, representing approximately 22% of the Company's earnings per share for 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, 2015, 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, restricted cash, short-term investments, trade receivables and other accounts receivables.

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

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

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, 2015, cash and cash equivalents together with the Company's short time bank investments amounted to $ 7,412 thousand.

c. Liquidity risk:

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

December 31, 2015:

	Less than one year	3 to 4 Years	Total
	U.S. dollars in thousands		
Government grants	11	722	733
Trade payables	123	-	123
Other accounts payable and accrued expenses	864	-	864
	998	722	1,720

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

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 20:- SUBSEQUENT EVENT

On April 14, 2016 the Company's Board of Directors approved the grant of an annual cash bonus to Mr. Ami Vizer, the Company's Chief Executive Officer and to Mr. Efraim Manea the Company's Chief Financial Officer, both of which are also Directors of the Company, with respect to fiscal year 2016 in accordance with the Company’s Compensation Policy Plan and employment agreements. 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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