

REGISTERED NUMBER: 04489239 (England and Wales)

**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
FOR
ORBIT COMMUNICATION SYSTEMS EUROPE LTD**



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FOR THE YEAR ENDED 31 DECEMBER 2015**

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ORBIT COMMUNICATION SYSTEMS EUROPE LTD

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTOR: E Livneh

SECRETARY: Redfern Legal LLP

REGISTERED OFFICE: c/o Redfern Legal LLP
7 Henrietta Street
London
WC2E 8PS

REGISTERED NUMBER: 04489239 (England and Wales)

AUDITORS: Choice Accountants Limited, Statutory Auditor
Chartered Certified Accountants
Indigo House
Mulberry Business Park
Fishponds Road
Wokingham
Berkshire
RG41 2GY

**REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2015**

The director presents his report with the financial statements of the company for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the sale, installation and maintenance of marine stabilised satellite T.V. and communication systems.

DIRECTORS

The directors who have held office during the period from 1 January 2015 to the date of this report are as follows:

O Greenberger - resigned 30 June 2015

E Shabirow - appointed 30 June 2015

E Livneh was appointed as a director after 31 December 2015 but prior to the date of this report.

Cpt P P van Bergen , A J Rozenshein and E Shabirow ceased to be directors after 31 December 2015 but prior to the date of this report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

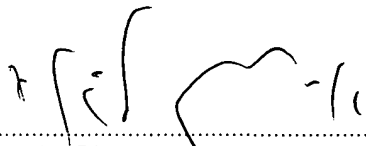
The auditors, Choice Accountants Limited, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ORBIT COMMUNICATION SYSTEMS EUROPE LTD

**REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2015**

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



E Livneh - Director

Date:

16/9/16

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ORBIT COMMUNICATION SYSTEMS EUROPE LTD

We have audited the financial statements of Orbit Communication Systems Europe Ltd for the year ended 31 December 2015 on pages six to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of director and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Director to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ORBIT COMMUNICATION SYSTEMS EUROPE LTD**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Director.



Mr Benjamin Loveday FCCA (Senior Statutory Auditor)
for and on behalf of Choice Accountants Limited, Statutory Auditor
Chartered Certified Accountants
Indigo House
Mulberry Business Park
Fishponds Road
Wokingham
Berkshire
RG41 2GY

Date: 19/9/16

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
CONTINUING OPERATIONS			
Revenue	3	850,782	1,503,322
Cost of sales		(613,573)	(777,292)
GROSS PROFIT		237,209	726,030
Other operating income		600	-
Administrative expenses		(213,019)	(709,671)
OPERATING PROFIT		24,790	16,359
Finance costs		(14,506)	3,183
PROFIT BEFORE INCOME TAX	5	10,284	19,542
Income tax	6	(3,505)	(4,254)
PROFIT FOR THE YEAR		6,779	15,288

The notes form part of these financial statements

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

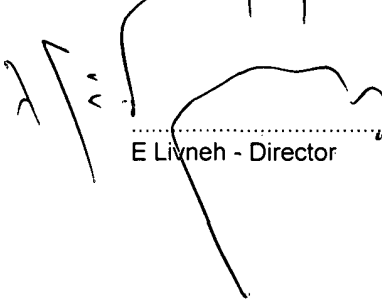
	2015	2014
	£	£
PROFIT FOR THE YEAR	6,779	15,288
OTHER COMPREHENSIVE INCOME	-	-
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>6,779</u>	<u>15,288</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2015

	Notes	2015 £	2014 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	<u>39,043</u>	<u>61,153</u>
CURRENT ASSETS			
Trade and other receivables	8	<u>738,053</u>	<u>732,465</u>
Cash and cash equivalents	9	<u>41,344</u>	<u>53,550</u>
		<u>779,397</u>	<u>786,015</u>
TOTAL ASSETS		<u><u>818,440</u></u>	<u><u>847,168</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	10	<u>1</u>	<u>1</u>
Retained earnings	11	<u>746,770</u>	<u>739,991</u>
TOTAL EQUITY		<u><u>746,771</u></u>	<u><u>739,992</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	14	<u>3,999</u>	<u>3,203</u>
CURRENT LIABILITIES			
Trade and other payables	12	<u>65,092</u>	<u>99,076</u>
Tax payable		<u>2,578</u>	<u>4,897</u>
		<u>67,670</u>	<u>103,973</u>
TOTAL LIABILITIES		<u><u>71,669</u></u>	<u><u>107,176</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>818,440</u></u>	<u><u>847,168</u></u>

The financial statements were approved and authorised for issue by the director on 16/3/16 and were signed by:


E Livneh - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2014	1	724,703	724,704
Changes in equity			
Total comprehensive income	-	15,288	15,288
Balance at 31 December 2014	1	739,991	739,992
Changes in equity			
Total comprehensive income	-	6,779	6,779
Balance at 31 December 2015	1	746,770	746,771

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

		2015	2014
		£	£
Cash flows from operating activities			
Cash generated from operations	1	(9,397)	(11,318)
Finance costs paid		(14,506)	3,183
Tax paid		(5,029)	1,682
Net cash from operating activities		(28,932)	(6,453)
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,500)	(170)
Sale of tangible fixed assets		19,226	-
Net cash from investing activities		16,726	(170)
Decrease in cash and cash equivalents		(12,206)	(6,623)
Cash and cash equivalents at beginning of year	2	53,550	60,173
Cash and cash equivalents at end of year	2	41,344	53,550

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2015	2014
	£	£
Profit before income tax	10,284	19,542
Depreciation charges	6,547	10,136
Profit on disposal of fixed assets	(1,163)	-
Finance costs	14,506	(3,183)
	30,174	26,495
Decrease in inventories	-	454,673
Increase in trade and other receivables	(5,588)	(508,265)
(Decrease)/increase in trade and other payables	(33,983)	15,779
Cash generated from operations	(9,397)	(11,318)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	41,344	53,550

Year ended 31 December 2014

	31.12.14	1.1.14
	£	£
Cash and cash equivalents	53,550	60,173

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. GENERAL

a. The principal activity of Orbit Communication Systems Europe ("the Company") is that of the sale, installation and maintenance of marine stabilised satellite T.V. and communication systems.

b. Definitions in these financial statements:

The Company - Orbit Communication Systems Europe Limited.

The parent company - Orbit Communication Systems Ltd.

Related parties - As defined in IAS 24.

2. ACCOUNTING POLICIES

Basis of presentation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These Standards comprise;

1. International Financial Reporting Standards (IFRS).
2. International Accounting Standards (IAS).
3. Interpretations to IFRS issued by the IFRS Interpretations Committee and by the Standing Interpretations Committee.

The statements of income are presented using the function of expense method.

Basis of preparation of the financial statements:

The financial statements of the Company have been prepared on a cost basis, except for deferred tax assets and liabilities, employee benefit assets and liabilities, and are presented in GBP.

Consistent accounting policy:

The accounting policies adopted in these financial statements are consistent for all periods presented. Neither changes nor adoption of new accounting policies have been made in these financial statements as a result of initial application of a new Standard or Amendment.

Related parties

The Company is a wholly owned subsidiary and is exempt under the terms of IAS 24 from disclosing related party transactions with entities that are part of the Orbit Technologies Limited group.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES- continued

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Actual results could be different from these estimates.

- Deferred tax assets:

Deferred tax assets are recognised for unused carry forward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Revenue recognition

Revenues are recognised in profit or loss when the amounts of 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. When the Company acts as an agent and is not exposed to the risks and rewards associated with the transaction, revenues are presented on a net basis. Revenues are measured at the fair value of the consideration less any trade discounts, volume rebates and returns.

Customer discounts given at the end of the year and in respect of which the customer is not obligated to comply with certain targets, are recognised in profit or loss proportionately as the sales entitling the customer to said discounts are made, and they are deducted from sales revenues.

Customer discounts for which the customer is required to meet certain targets, such as a minimum amount of annual purchases (either quantitative or monetary), and increase in purchases compare to previous period, etc. are recognised in the financial statements in proportion to the purchases made by the customer during the year that qualify for the target, provided that it is expected that the targets will be achieved and the amount of the discount can be reasonably estimated.

Property, plant and equipment.

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses (if any) and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that can be used only in connection with the machinery and equipment.

A part of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item or property, plant and equipment comprises the instal estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

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

	<u>Years</u>
Plant and machinery etc.	3
Testing and manufacturing equipment	10

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Taxes on income

Taxes on income in profit or loss comprise current and deferred taxes. The tax results in respect of current or deferred taxes are carried to profit or loss except to the extent that the tax arises from items which are recognised in other comprehensive income (loss) or directly in equity. In such cases, the tax effect is also recognised in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity.

Current taxes

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

Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed for tax purposes (tax base). Deferred taxes are recognised in other comprehensive income or directly in equity if the tax relates to those items.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the taxes are reversed in profit or loss or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognised outside of profit or loss, if any.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilised. Also, temporary differences (such as carry-forward losses) for which deferred tax assets have not been recognised are reassessed and deferred tax assets are recognised to the extent that their recoverability has become probable. Any resulting reduction or reversal is recognised in the line item, "taxes on income".

All deferred tax assets and deferred tax liabilities are classified in the balance sheet as non-current assets and non-current liabilities, respectively and 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.

Functional currency and translation

1. Functional and presentation currency:

The presentation currency of the financial statements is GBP.

The functional currency, which is the currency that best reflects the economic environment in which the company operates and conducts its transactions, is separately determined for each Company entity within the group, including a jointly-controlled entity accounted for using the equity method, and is used to measure its financial position and operating results. The functional currency of the Company is GBP.

2. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Cash equivalents

Cash equivalents are highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

Provision for doubtful accounts

The provision for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. The Company also recognises a provision for groups of customers that are collectively assessed for impairment based on their credit risk characteristics. Impaired debts are derecognised when they are assessed as uncollectable.

Provisions

A provision in accordance with IAS 37 is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When the company expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense is recognised in the statement of profit or loss net of any reimbursement.

The following type of provision is included in the financial statements:

Warranty:

The Group policy is to recognise a provision for warranty when the product is old or service provided to the customer.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Disclosure of new standards in the period prior to their adoption

a. IFRS 15 - "Revenue from Contracts with Customers":

In May 2014, the IASB issued IFRS 15 ("IFRS 15"). IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

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

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

Step 2: Identify the separate performance obligations of 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: Recognise 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, 2017. 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 the comparative periods will be required by IFRS 15 are included.

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

b. Amendments to IAS 16 and IAS 38 regarding acceptable methods of depreciation and amortisation:

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 ("the amendments") regarding the use of a depreciation and amortisation method based on revenue. According to the amendments, a revenue-based method to calculate the depreciation of an asset is not appropriate because revenue generally reflects factors other than the consumption of the economic benefits embodied in the asset.

As for intangible assets, the revenue-based amortisation method can only be applied in certain circumstances such as when it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated.

The amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

c. IFRS 9 - Financial Instruments:

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

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 focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

According to IFRS 9, all the financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortised cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes will be recognised in profit or loss or in other comprehensive income (loss), in accordance with the election of the Company on an instrument-by-instrument basis. If the equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair values of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in the profit or loss.

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.

d. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture;

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the amendments") regarding the accounting treatment of the sale or transfer of an asset (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

According to the amendment, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated so that the gain to be recognised is the gain from the sale to the other investors in the associate or joint venture. According to the amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognised in full.

If the transaction with an associate or joint venture involves loss of control of a subsidiary or group of assets that are a business, then the gain will be recognised in full.

The amendments are to be applied prospectively for transactions occurring in annual periods beginning on or after January 1, 2016. Early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENTAL REPORTING

Turnover and profit before tax are attributable to the one principal activity of the Company.

An analysis of turnover by geographical market is given below:

	Year ended December 31	
	2015	2014
United Kingdom	93.50%	78.80%
Rest of the world	6.50%	21.20%
	<u>100.00%</u>	<u>100.00%</u>

4. EMPLOYEES AND DIRECTORS

	2015 £	2014 £
Wages and salaries	160,378	291,655
Social security costs	14,950	31,796
	<u>175,328</u>	<u>323,451</u>

The average monthly number of employees during the year was as follows:

	2015	2014
Sales and Marketing	1	1
Technical	1	3
Administration	-	1
	<u>2</u>	<u>5</u>

	2015 £	2014 £
Directors' remuneration	105,635	104,511

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	2015 £	2014 £
Cost of inventories recognised as expense	659,951	730,346
Depreciation - owned assets	6,547	10,136
Profit on disposal of fixed assets	(1,163)	-
Auditors' remuneration	20,692	11,000

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

6. INCOME TAX

Analysis of tax expense

	2015	2014
	£	£
Current tax:		
Tax	2,710	3,111
Previous year	-	104
	<u>2,710</u>	<u>3,215</u>
Total current tax	2,710	3,215
Deferred tax	795	1,039
	<u>795</u>	<u>1,039</u>
Total tax expense in statement of profit or loss	<u>3,505</u>	<u>4,254</u>

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2015	2014
	£	£
Profit on ordinary activities before income tax	<u>10,284</u>	<u>19,542</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 20%)	2,057	3,908
Effects of:		
Expenses not deductible for tax purposes	32	25
Depreciation in excess of capital allowances	488	964
Adjustment in relation to prior years	133	(1,682)
Deferred tax movement	<u>795</u>	<u>1,039</u>
Tax expense	<u>3,505</u>	<u>4,254</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £
COST	
At 1 January 2015	120,719
Additions	2,500
Disposals	(25,713)
	<u>97,506</u>
At 31 December 2015	<u>97,506</u>
DEPRECIATION	
At 1 January 2015	59,566
Charge for year	6,547
Eliminated on disposal	(7,650)
	<u>58,463</u>
At 31 December 2015	<u>58,463</u>
NET BOOK VALUE	
At 31 December 2015	<u><u>39,043</u></u>
	Plant and machinery £
COST	
At 1 January 2014	120,549
Additions	170
	<u>120,719</u>
At 31 December 2014	<u>120,719</u>
DEPRECIATION	
At 1 January 2014	49,430
Charge for year	10,136
	<u>59,566</u>
At 31 December 2014	<u>59,566</u>
NET BOOK VALUE	
At 31 December 2014	<u><u>61,153</u></u>

8. TRADE AND OTHER RECEIVABLES

	2015 £	2014 £
Current:		
Trade debtors	4,712	282,659
Amounts owed by group undertakings	720,960	426,626
Other debtors	-	12,663
VAT	9,618	-
Prepayments	2,763	10,517
	<u>738,053</u>	<u>732,465</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

8. TRADE AND OTHER RECEIVABLES - continued

Trade receivables are non-interest bearing and are generally on 30-120 days' terms.

Impaired debts are accounted for through recording an allowance for doubtful accounts.

The movement in the allowance for doubtful accounts is as follows:

	£
Balance at January 1, 2015	-
Charge for the year	6,912
Balance at December 31, 2015	6,912

An analysis of past due but not impaired net trade receivables, with reference to the reporting date:

Past due trade receivables with ageing of					
Current	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	Total
£					
December 31, 2015	-	-	-	4,712	4,712
December 31, 2014	223,157	5,392	2,937	10,498	282,659

9. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Bank accounts	41,344	53,550

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £	2014 £
1	Ordinary	£1	1	1

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

11. RESERVES

	Retained earnings £
At 1 January 2015	739,991
Profit for the year	6,779
	<u>746,770</u>
At 31 December 2015	<u>746,770</u>

12. TRADE AND OTHER PAYABLES

	2015 £	2014 £
Current:		
Trade creditors	10,482	2,682
Social security and other taxes	24,654	20,598
Other creditors	9,744	12,721
Accruals and deferred income	20,212	16,417
VAT	-	46,658
	<u>65,092</u>	<u>99,076</u>

13. FINANCIAL INSTRUMENTS

a. Financial risks factors:

The Company's activities expose it to market risk. The Company's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Company's financial performance.

The risk management is under the responsibility of the Company's HQ Chief Financial Officer (followed by consultations with the Company's Chief Executive Officer) and in accordance with the policies approved by the parent company. The risk management process identifies measures and manages financial risks in collaboration with the Company's operating units.

b. Fair value:

The carrying amounts of all the Company's financial instruments: cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other accounts payable, represent, or approximate, their fair values.

14. DEFERRED TAX

	2015 £	2014 £
Balance at 1 January	3,203	2,165
Increase in provision	796	1,038
	<u>3,999</u>	<u>3,203</u>
Balance at 31 December	<u>3,999</u>	<u>3,203</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

15. ULTIMATE PARENT COMPANY

The immediate parent Company is Orbit Communication Systems Limited a Company registered in Israel.

The ultimate parent Company is Orbit Technologies Limited a Company registered in Israel.

16. CONTINGENT LIABILITIES

Operating leases:

On January 6, 2015, the Company terminated its lease agreement after it was transferred in its entirety to a third party.

Rent expenses for the years ended December 31, 2015 and 2014 totalled £1,707 and £33,182 per year respectively and are included in cost of sales and operating income expenses in the accompanying financial statements.

17. RELATED PARTY DISCLOSURES

Orbit Communication Systems Ltd;

The Company acquires a significant portion of its products directly from the Parent, and receives income from the Parent upon the sale of such products. In addition, the Company performs contract management services on behalf of the Parent.

Following is a summary of these transactions:

	Year ended December 31	
	2015	2014
	£	
Receivable from Parent as of December 31	<u>719,453</u>	<u>425,192</u>
Total purchases from Parent	<u>659,662</u>	<u>293,072</u>
Participation in expenses	<u>(123,687)</u>	<u>(177,566)</u>

The Company is a wholly owned subsidiary and is exempt under the terms of IAS 24 from disclosing related party transactions with entities that are part of the Orbit Technologies Limited group.

18. ULTIMATE CONTROLLING PARTY

The ultimate parent company is publically traded and the directors do not consider there to be an ultimate controlling party.