

19 MARCH 2018

## PRIVATE OFFERING MEMORANDUM

OF 211,489 ORDINARY A SHARES, OFFERED AT  
£5.2012 PENCE PER SHARE TO RAISE £1,100,000

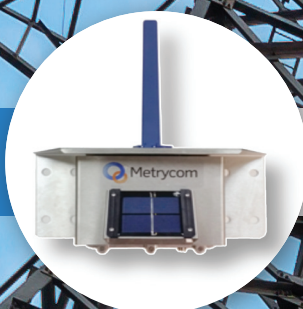
*A technology company in the Internet of Things.  
A unique technology enabling the Company's  
leading product in the smart grid sensors  
and analytics market.*

MettrySense  
**3000**



*Sensors for large networks and  
general IoT*

MettrySense  
**4000**



*Sensor solution for the smart grid in  
high voltage transmission lines*

MettrySense  
**5000**



*Sensor solution for the smart grid in  
medium voltage distribution lines*

# **METRYCOM COMMUNICATIONS LTD**

## **UNIQUE TECHNOLOGY ENABLING THE COMPANY'S LEADING PRODUCT IN THE SMART GRID SENSORS AND ANALYTICS MARKET**

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If you are in any doubt about the contents of this Document or what action you should take, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 ("FSMA 2000") who specialises in advising on investments of the type being offered by the Company.

Charles Street Securities Europe LLP which is authorised and regulated by the Financial Conduct Authority ("FCA"), is the Company's financial adviser to the Offer and has approved the issue of this Document as a financial promotion in accordance with the provisions of section 21 of FSMA 2000. This Document is not a prospectus and has not been filed with the FCA or made available to the public as such.

The Offer made in this Document is not an offer to the public.

The communication of this Document and the contents thereof is made to and directed at persons reasonably believed to be such persons as are referred to below and must not be passed on, directly or indirectly, to any other person in the United Kingdom:

- a) professional clients or eligible counterparties as defined in the Conduct of Business Sourcebook ("COBS") forming part of the FCA's Handbook of Rules and Guidance;
- b) retail clients who confirm that they will receive advice from a financial advisor authorised and regulated by the FCA;
- c) retail clients who fall within the following categories:
  - i. certified high net worth investor in terms of COBS 4.7.9R;
  - ii. certified sophisticated investors in terms of COBS 4.7.9R;
  - iii. self-certified sophisticated investors in terms of COBS 4.7.9R.

The transmission of this Document or the contents thereof to any other person is prohibited and persons not falling within the description set out above should not act or otherwise rely upon it.

Metrycom Communications Ltd ("Metrycom" or the "Company") and each of the Directors of the Company, whose names appear in Part 1 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this Document nor any applications made pursuant to this Document will, under any circumstances, create any implication that there has not been any change in the affairs of the Company since the date of this Document or that the information in this Document is correct at any time subsequent to the date of this Document.

***The text of this Document should be read in full and your attention is drawn to the Section entitled “Risk Factors” Part 3 and the Terms and Conditions of the Offer in Part 9 of this Document.***

	<p><b>METRYCOM COMMUNICATIONS LTD</b> INCORPORATED IN ISRAEL WITH REGISTERED NUMBER 514198530</p> <p><b>PRIVATE OFFERING MEMORANDUM OF 211,489 ORDINARY A SHARES, OFFERED AT £5.2012 PENCE PER SHARE TO RAISE £1,100,000</b></p>
	<p><i>Issued by</i> <b>CHARLES STREET SECURITIES EUROPE LLP</b> AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY</p>

CSSE is relying on the Directors regarding the contents of this Document and has not made its own enquiries regarding the contents of this Document, except as to matters which have come to its attention and on which it considered it necessary to satisfy itself and except as required by the rules of the FCA to which it is subject. Unless agreed separately with a recipient, CSSE will not be offering advice to the recipients of this Document and will not be advising any person (other than the Company) in respect of any applications for Offer Shares. The scope of any such advice will be set out in a separate agreement. Other than as required by the FCA no liability whatsoever is accepted by CSSE for the accuracy of any information or opinions contained in this Document or for the omission of any material information, for which the Directors are responsible.

CSSE which is regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no-one else in relation to the matters described in this Document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of CSSE or for providing advice in relation to the contents of this Document. CSS Partners is acting as placing agent to the Offer and does not advise individual investors. This Document should not be copied or distributed by recipients and, in particular, should not be distributed by any means including electronic transmission, to persons with addresses outside the UK and in particular in Canada, Australia, Japan or the Philippines, their possessions or territories or to any citizens or residents thereof, or to any corporation, partnership or such entity created, organised or domiciled under the laws thereof. This Document should not be copied or distributed by any means, including electronic transmission, to persons with addresses in the United States of America, (including the States and the District of Columbia), its territories, possessions and other areas subject to United States jurisdiction, or to or for the account or benefit of a US person. Any such distribution contrary to the above could result in a violation of the laws of such countries.

The Shares have not and will not be offered within in Israel except pursuant to the Israeli Securities Law, 5728-1968. In Israel, this document is being distributed only to, and is directed only at, investors listed in the First Addendum to the Israeli Securities Law, 5728-1968 (the “First Addendum”), consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters purchasing for their own account, venture capital funds, entities whose equity exceeds a certain amount and “qualified individuals”, each as defined in the First Addendum (as it may be amended from time to time), collectively referred to as qualified Israeli investors or to a certain limited number of individual investors. Qualified Israeli investors will be required to submit written confirmation that they fall within the scope of the First Addendum.

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## PART 1

**OVERVIEW AND SUMMARY**

- The Company operates in the Internet of Things (IOT) market, focussing on a global market for fault detection in the transmission and distribution electrical grid.
- The Company has the opportunity to be a world leader in a segment of the “smart grid sensors and analytics” market. This market is estimated to grow by 30% Compound Annual Growth Rate to \$1.4 billion by 2025.
- The Company is faced with a unique set of circumstances which should permit rapid market penetration – the electrical transmission industry is focussing on new technologies and the Company thus faces a favourable buying environment; the Company has proven its products over the last three years with major customers and now is ready for a more rapid rollout; and the Company’s Chinese partners with mass market production of the Metrycom 5000 sensors will permit the Company to offer very competitive prices in major tenders outside of China.
- Sales were \$1.46 million in 2017, with a pre tax profit of \$320,000 (2017 figures are awaiting audit and may be subject to change). The Company has established sales traction, growing revenues by 140% from 2016 to 2017 and, with the planned scaling up of the Company with the proceeds of the Offer a further doubling of revenues in 2018 and again in 2019 is projected.

*Metrycom Historic and Projected Revenues in \$'000*

2015	2016	2017	2018	2019
210	610	1,460	3,030	10,000

*The projections and forecasts above have been prepared after due and careful enquiry by the Directors and have been prepared on a basis comparable with the historical financial information of the Company. They are forward looking statements and should be considered with reference to the Risk Factors in Part 3. There is no certainty that projected numbers will be achieved.*

- The Company is offering 211,489 Ordinary A Shares at £5.2012 per share representing 11% of the share capital of the Company fully diluted. The Ordinary A Shares entitle shareholders to a return of capital plus a pro rata share of the equity of the Company pari passu with ordinary shares, except in the event of a public listing when they would convert pari passu with ordinary shares. Please see Part 6 for a fuller description of the terms.
- The Company has submitted an application to HMRC for Advanced Assurance of eligibility under the Enterprise Investment Scheme. While the Company has retained specialist advisers and believes it meets the criteria for EIS eligibility, there is no certainty that such approval will be granted.
- The Company will plan to commence the process to list on AIM in Q3 2019 assuming realisation of its 2018 budget and good visibility on its 2019 projections.

***The foregoing Overview and Summary should be read in the context of this entire Document and with specific reference to the Risk Factors in part 3.***

***The Summary should not be read as a standalone document.***

## PART 2

**EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Offer opens	19 March 2018
Offer closes	21 May 2018 (unless extended by the Directors)

**OFFER STATISTICS**

Offer Statistics	
Offer Price per Ordinary A Share	£5.2012
Gross proceeds of the Offer	£1,100,000
Net proceeds of the Offer <sup>(1)</sup>	£768,000
Ordinary A Shares in the Offer	211,489
Total Ordinary, Ordinary A Shares and Option Shares prior to the Offer	1,663,410
Valuation prior to the Offer <sup>(2)</sup>	£8,651,766
Total Ordinary, Ordinary A Shares and Option Shares subsequent to the Offer <sup>(3)</sup>	1,917,075
Valuation subsequent to the Offer <sup>(4)</sup>	£9,971,133

1. Assuming the Offer is Fully Subscribed the expenses of the Offer are expected to amount to £332,000
2. Total Ordinary, Ordinary A Shares and Option Shares prior to the Offer multiplied by the Offer Price
3. The total number of Ordinary, Ordinary A Shares and Option Shares subsequent to the Offer
4. Total Ordinary, Ordinary A Shares and Option Shares assuming the Offer is Fully Subscribed, multiplied by the Offer Price



**DIRECTORS AND ADVISERS***Directors*

**Liron Frenkel**, CEO and Director  
**Meir Gellis**, Non Executive Director  
**Gabriel Berditchevsky**, Non Executive Director

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*Placing Agent*

**CSS Partners LLP**  
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*Auditors*

**Shlomi Elias**  
Certified Public Accountant (C.P.A.)  
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Israel

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*EIS Advisor*

**Parisi Tax**  
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Bulls Lane, Wishaw  
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B76 9QW

*Bank*

**Union Bank**  
24 Giborei Israel Street  
Netanya  
Israel

*Registrar to the Nominee Company  
and Receiving Agent*

**Hallswelle Management Ltd**  
Hallswelle House  
1 Hallswelle Road  
London NW11 0DH

*Company web site*

<http://www.mettrycom.com/>

## DEFINITIONS

"AIM"	the AIM market operated by the London Stock Exchange
"Application Form"	the application form at Part 9 of this Document
"Articles"	the Articles of Association of the Company as amended from time to time
"Board" or the "Directors"	the Directors of the Company whose names are set out in Part 2 of this Document
"CA 2006"	the Companies Act 2006
"City Code"	the City Code on Takeovers and Mergers
"Company"	Metrycom Communications Ltd registered in Israel with company number 514198530
"Companies Law"	The Israeli Companies Law, 1999 as amended
"CSS"	Charles Street Securities Europe LLP
"CSS Agreement"	the financial advisory and placement agreement between the Company and CSS, dated 18 January 2018 and described further in Part 6 of this Document
"CSSCM"	CSS Capital Managers LLP, with registered office at 1 Wilton Street, London, SW1X 8RN and registration number OC360330
"CSS Partners"	CSS Partners LLP is an Appointed Representative of CSS, with registration number OC311440 and located at 200 Aldersgate, London EC1A 4HD
"Document"	this document including the front cover, contents page and the Application Form
"Investors"	persons who subscribe for Offer Shares through the nominee, Metrycom Nominees Ltd pursuant to the terms and conditions of the Offer
"First Closing"	The First Closing in the amount of £250,000 (unless modified by the Directors) to be raised through the issue of 48,066 Ordinary A Shares at £5.2012 pence per share under the terms of the Offer
"Fully Subscribed"	subscription by investors for 211,489 Offer Shares at the Offer Price pursuant to the Offer
"Nominee Company"	Metrycom Nominees Ltd, a company registered in England and Wales with registration number 11243594
"Offer"	the process of the Offer Shares being offered to investors as described and set out in this Document
"Offer Price"	£5.2012 per Ordinary A Share
"Offer Shares"	the Offer of up to 211,489 Ordinary A Shares at £5.2012 per share which are subject to the Offer at the Offer Price plus the Over-allocation Provision of a further £250,000 at the Offer Price
"Option Shares"	options granted over Ordinary Shares
"Ordinary A Shares"	the Ordinary A Shares in the Company whose terms are more fully described in Part 6 of this Document.
"Over-allocation Provision"	the right granted by the Company to CSS to offer up to a further 48,066 Ordinary A Shares on the same terms as the Offer Shares to raise up to a further £250,000
"Receiving Agent"	Hallswelle or any other receiving agent to the Company from time to time
"Shareholders"	the holders of the Shares
"Shares"	the Ordinary A Shares and the Ordinary Shares
"NIS"	New Israeli Shekel
"US\$" or "\$"	US dollars, the lawful currency of the US
"€"	European Euro
"UK £" or "£"	UK Pound Sterling
"US"	United States of America
"UK"	United Kingdom of Great Britain and Northern Ireland

**References:** The sources referred to in the Document can be found on page 33 of this Document.



## GLOSSARY OF TECHNICAL TERMS

Contamination	The contamination of electrical lines resulting from emissions from neighbouring industrial and farming activity as well as natural elements such sea salt, sand and birds which can cause deterioration and flashovers in electrical insulators.
CAGR	Compound Annual Growth Rate.
DMS	A Distribution Management System (DMS) is a collection of applications designed to monitor and control the entire distribution network efficiently and reliably. It acts as a decision support system to assist the control room and field operating personnel with the monitoring and control of the electric distribution system. Improving the reliability and quality of service in terms of reducing outages, minimizing outage time, maintaining acceptable frequency and voltage levels are the key deliverables of a DMS.
FCI	<p>Fault current (or circuit) indicator is a sensor which provides visual or remote indication of a fault on the electric power system. The device is used in electric power distribution networks as a means of automatically detecting and identifying faults to reduce outage time.</p> <p>There are several types of FCIs:</p> <ul style="list-style-type: none"> <li>a) <i>Basic non-communication FCI</i> – indicates the existence of a fault by local optical indication (LED or mechanical flag);</li> <li>b) <i>Communicating FCI</i> – an FCI that is connected to a server, e.g. using a cellular connection, and its indication can be read remotely; and</li> <li>c) <i>Smart grid sensor</i> – A sensor that supports the function of a communicating FCI, and in addition can support many other functions such as measuring of currents, voltages, waveforms, interruptions, and is capable of more advanced processing.</li> </ul>
Hot Stick	Hot sticks are used in maintenance work on live electrical lines by having the worker remain at a specified distance from the live parts and carry out the work by means of an insulating stick.
National Grid	The National Grid is the high-voltage electric power transmission network in Great Britain, connecting power stations and major substations and ensuring that electricity generated anywhere in England, Scotland and Wales can be used to satisfy demand elsewhere.
Power distribution grid	Power distribution grid is the the final stage in the delivery of electric power; it carries electricity from the power transmission system to individual consumers. Distribution substations connect to the transmission system and lower the transmission voltage to medium voltage ranging between 2 kV and 35 kV with the use of transformers for delivery to industrial, commercial and domestic users. There are 14 licensed distribution network operators (DNOs) in Britain and each is responsible for a regional distribution services area. The 14 DNOs are owned by six different groups.
Types of distribution grids	There are two major types of distribution grids; grids with solid earthing (typical in the US) and grids with floating or compensated earthing of the neutral. Metrycom has developed unique and reliable algorithms for the detection of faults in both types of grids.

High-impedance fault	Fault caused when a powered wire or element is connected to the ground via high resistance media, e.g. a wire fallen on dry ground. High impedance faults are hard to detect because they generate low currents, but are hazardous and can cause power failure. Metrycom's unique algorithms can detect and find the location of such faults.
IoT	The Internet of things (IoT) is the network of physical devices, for industrial or commercial use, embedded with electronics, software, sensors, actuators, and connectivity which enables these objects to connect and exchange data. Each object is uniquely identifiable through its embedded computing system but is able to inter-operate within the existing internet infrastructure. It is estimated that the IoT market is expected to grow from \$170.57 billion in 2017 to \$561.04 billion by 2022.
Power line insulator strings	Insulator strings for high-voltage overhead transmission lines provide the mechanical insulator system between the live conductors and the pole. The biggest share of the string is taken by the insulators, which are made of porcelain, glass or composite materials. The connecting elements guarantee mechanical connection of all the components.
SCADA	Supervisory control and data acquisition is a control system architecture that uses computers, networked data communications and graphical user interfaces for high-level process supervisory management.
Smart grid	A smart grid is an intelligent electricity grid that optimizes the generation, distribution and consumption of electricity through the introduction of information and communication technologies on the electricity grid. The smart grid includes online sensors and meters networks and analytic software which analyzes the data.
Smart grid sensors	Smart grid sensors are devices that serve as detection nodes in sensor networks in the electricity grid. Smart grid sensors enable the remote monitoring of the elements of the grid, and in particular the power lines themselves, and are important components in the management of resources on an energy smart grid.
Smart grid analytics	Online software tools that receive data from a large number of smart grid sensors, analyze it, and produce results that allow an optimized management and maintenance of the smart grid.

## PART 3

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### RISK FACTORS

The investment detailed in this Document may not be suitable for all its recipients. Before making an investment decision, prospective investors are advised to consult an investment adviser authorised under the Financial Conduct and Markets Act 2000 who specialises in investments of the kind described in this Document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them as investment in the Company involves a high degree of risk. Any prospective investor must have no need for any liquidity with respect to this investment and must be able to withstand a total loss of his investment.

Each potential investor must carefully consider the risks described below and the other information set out in this Document before deciding to invest in the Offer Shares. Potential investors should read the whole of this Document and not rely solely on the information in this section entitled “Risk Factors”. The Group’s business, operating profit and overall financial condition could be adversely affected if one or more of the following risks were to occur and, as a result, investors could lose part or all of their investment. The Directors consider the following risk factors to be significant to potential investors. The risks described below may not be exhaustive. Additional risks and uncertainties unknown to the Directors at the date of this Document or which the Directors currently believe are immaterial may also have a material adverse effect on its financial condition or prospects of the Company.

In addition to the other relevant information set out in this Document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company:

#### **Early stage company**

The Company is an early stage technology company operating internationally. The Company must be considered in light of the risks, expenses and cash flow problems generally encountered by early stage companies. Typically, a majority of such companies fail to achieve their business plan and their projections, through a failure to estimate the speed of completing a commercially saleable product, speed of market penetration, and the cash costs associated with penetrating international markets or a failure to raise adequate financing in a timely manner. Such companies also often fail to provide and maintain adequate investment in product development and marketing and fail to provide adequate managerial, operational and financial resources. There can be no assurance that the Company will be successful in executing its business plan or that shareholder value will be created.

***An investment in the Company should be regarded as speculative and should be considered long-term in nature and as suitable only for categories of investors as defined on page 2 of this Document. Any investor in the Company must have no need for any liquidity with respect to this investment and must be able to withstand a total loss of his investment.***

#### **Intellectual property**

The Company has some limited protection of the intellectual property in its business through one granted patent but also has intellectual property, comprising trademarks, source code, design specification, know-how and customised product features in its offering. While the Company believes that it has adequate protection there is no certainty that such protection will grant the Company durable protection from its competition or from technological innovation.

#### **Product failure**

Products remain fully operational to a level above the industry standard. Any product failure or product modification required as a result of the planned mass rollout in China, could impact upon current and future customer demand and may adversely impact the Company’s financial condition and may lead to adverse press and market commentary.

**Infringement of intellectual property rights**

Third parties could claim that the Company's current or future technologies or products infringe or misappropriate their patent or other proprietary rights. Although the Directors do not believe that the Company is currently infringing or misappropriating any proprietary rights of others, legal action claiming infringement or misappropriation could be commenced against the Company at any time, and the Company may not prevail in such litigation given the complex technical issues and inherent uncertainties in such litigation. Any claims, with or without merit, could result in the following: costly litigation and operating changes which could adversely affect the business of the Company, its financial condition and operating results, and may force the Company to enter into royalty or licensing agreements which may not be available on terms acceptable to the Company; the need to indemnify customers or obtain replacement products or functionality for customers; increase significantly development efforts and resources to redesign products as a result of these claims; and discontinue the sale of some or all of the Company's technologies or products.

**Competition**

The Directors believe that the Company operates in a competitive market in which several players offer similar product offerings. There is no certainty that the Company will be able to adequately maintain or grow its market share or that competition will not supersede or prevent the realisation of the Company's business plan. Technological change in the sector within which the Company operates may render the Company's products less competitive or even obsolete. In addition, changes in applicable legislation or regulatory policies, or the discovery of problems with a product or restrictions imposed on a product, its sale, manufacture or use, may have an adverse effect on the Company's business.

**Dependence on key personnel**

The Company's ability to be a successful business depends to a significant extent on the continued service of the founder and chief executive, Liron Frenkel. The loss of service of Mr Frenkel could materially and adversely affect the Company's business and prospects. The Company is also dependent upon a number of support personnel. The Directors believe that the growth and future success of the Company's business will depend in large part on the Company's continued ability to attract, motivate and retain senior management and other highly-skilled personnel. The Company may not be successful in doing so, as the competition for qualified personnel in the Company's industry is strong.

**Limited management capabilities**

While the management team consists primarily of experienced professionals and will need to recruit additional personnel, there is no certainty that the Company will have sufficient managerial resources to execute its business plan successfully.

**Concentration of revenues**

The Company has had over 5 customers since its formation and one customer accounted for about 70% of its revenues in the year ended December 2017. The loss of the major customer or reduction in revenues, or delays in receiving payments from this customer would have a material adverse effect on the financial condition of the Company.

**Dependence on relationships with Tsingda**

The Company has one significant supplier/licensee relationship with Tsingda of China. Tsingda is presently the Company's largest customer and may also become the Company's main source of production. Any adverse developments in this relationship would materially affect the Company, business, finances and prospects. According to the agreement between the Company and Tsingda, the Company supplies to Tsingda products, technological support, software adaptations services and programmed electronic processors, and receives payments for the services and products, and royalties for the MetrySense-5000 product which will be manufactured by Tsingda in China. The royalties that Tsingda will pay on sales of the MetrySense-5000 product in China are limited to a maximum of \$3M-\$4M under the terms of the agreement. Tsingda has the right to complete the payment of this amount in a single payment and receive a license to use the source code of the relevant software for independent support and adaptation of MetrySense-5000 for sales in China only. The Company may use Tsingda's manufacturing services in China, or manufacture in Israel or in other countries.

**Directors**

The non-executive Directors and certain senior employees have and may have in the future additional professional responsibilities and as such, may experience demands on their time to the possible detriment of the Company.

**Enforcement of non-competition clauses**

In order to protect the Company's proprietary technology and processes, the Company relies in part on confidentiality agreements with its collaborators, employees, and other advisors. These agreements may not effectively prevent disclosure of confidential information and trade secrets and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information and trade secrets. In addition, others may independently discover trade secrets and proprietary information, and in such cases the Company could not assert any trade secret rights against such party. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position.

**Timetables and slippage**

Early stage companies typically underestimate the development and marketing capital they will require and typically overestimate the speed of market penetration. The combination of these two factors can adversely affect financial performance and the creation of shareholder value.

**Market acceptance**

The Company has experienced a rapid growth of sales and market acceptance with its two principal customers in the last year. However, there is no certainty that this level of market acceptance and growth can be sustained.

**No indicator of future performance**

The Company's past performance is not a reliable indicator of future performance.

**Barriers to entry**

There is considerable expertise required to conduct the business of the Company and management believes that it would take a long time for any competitor to catch up based on the investment in technology and product development the Company has made over a period of some 8 years. According to the agreement between the Company and its Chinese partner, the partner is limited to selling Metrycom products in China only. There is a risk that the Chinese partner could become a competitor and in other markets existing competition will intensify and new players may enter the Company's market.

**Working capital**

The Company is seeking to raise £1.1 million through the Offer.

With a completion of the Offer the Company will have sufficient capital to maintain its business plan to seek to achieve aggressive growth of revenues and expected increase in valuation. If the financing round is not completed in full the Company will have to curtail its growth plans and consequently less value will be created. In a worst case the Company may not have sufficient working capital to maintain its operations and may need to modify or curtail certain aspects of its business plan.

The Company may also experience variability of cash flow from payments from its largest customer. Any delays in payments from its largest customer, Tsingda, can have an adverse effect on the entire business of the Company.

**Offer**

The Offer is not underwritten and there is no minimum amount under the Offer and there is no certainty that the Offer will be Fully Subscribed.

**Valuation of the Offer**

The valuation of the Offer has been arrived at in negotiations with the founder and chief executive and with reference to the valuation of early stage technology businesses. There is no certainty that investors will benefit from any

appreciation in the value of any investment in the Company or that any future financing of the Company will be at a price in excess of the Offer Price.

**Forward-looking statements**

Certain statements in this Document may constitute forward-looking statements relating to matters such as projected financial performance, business prospects, new products and services and similar matters. As set out in this Part 3 and elsewhere throughout this Document, a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results, beliefs or other expectations expressed in any such forward-looking statements. Forward looking statements are not a reliable indicator of future performance.

**Dividends**

The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Company and will depend upon, amongst other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provision of relevant laws or generally accepted accounting principles from time to time. There is no certainty that the Company will be in a position to pay any dividends.

**No Minimum Amount under this Offer**

There is no Minimum Subscription under this Offer.

**Influence of principal shareholders**

Prior to this Offer Liron Frenkel owns or controls approximately 16% of the fully diluted Ordinary Share capital of the Company. As a result, he may be in a position to exert influence over the outcome of matters relating to the Company, including the appointment of the Company's Board and the approval of significant change-in-control transactions. In addition, this control may have the effect of making certain transactions more difficult without the support of the Directors and may have the effect of delaying or preventing an acquisition or other change in control of the Company.

**Relations with CSS**

CSS is acting as non-exclusive financial adviser to the Company. CSS Partners, acts as Placing Agent to the Company, and may have separate arranging relationships with private investors who may subscribe to the Offer. The principals of CSS and CSSP may benefit from an equity interest in the Company.

**EIS tax treatment**

The Company has submitted an application to HMRC for Advanced Assurance of eligibility under the Enterprise Investment Scheme. While the Company has retained specialist advisers and believes it meets the criteria for EIS eligibility, there is no certainty that such approval will be granted. The Company's EIS advisers note that changes in EIS qualification are being considered by HMRC and processing delays are being experienced.

**Taxation**

It should be noted that the information contained in Part 8 of this Document relating to taxation may be subject to legislative change.

**Exchange rate fluctuations**

The majority of the Company's revenues are in US\$ and its expenses are in NIS. The Offer is denominated in £. Company has some foreign currency exposure in the event of a depreciation of the US\$ or £ against the NIS.

**Suitability**

An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this Document. Prospective investors are advised to consult a person authorised by the Financial Conduct Authority before making their decision and are reminded that.

**Lack of marketability in the Company's shares**

The Company is not listed and there is no market in the Company's shares at this time.



In the event that the Company does achieve a public listing the price at which investors may realise Ordinary A Shares held by them and the timing of any disposal may be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the sector in which the Company operates and generally. These factors could include the performance of the Company's operations, large purchases or sales of shares in the Company, liquidity or absence of liquidity in the shares, legislative or regulatory changes relating to the business of the Company and general economic conditions.

**Current economic conditions**

The supply of equity and debt capital to early stage companies is generally very limited. This could mean that the Company may only be able to obtain further financing, on less favourable terms than it expects or that it will have difficulty obtaining financing at all.

**Israeli law**

Shareholders rights and responsibilities will be governed by Israeli law and these differ from the rights and responsibilities of shareholders under English law or the law of other non-Israeli jurisdictions. The Company is incorporated under Israeli law. The rights and responsibilities of holders of the Ordinary Shares and the Ordinary A Shares are governed by the Company's articles of association and by Israeli law. In particular, a shareholder of an Israeli company has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his power in the company, including, amongst other things, in voting at the general meeting of shareholders on certain matters.

*Further details are set out in of Part 6 of this Document.*

## PART 4

**INFORMATION ON THE COMPANY****Background and overview*****The Company is a technology leader in the global market for fault detection in the electrical grid***

The Company was incorporated in Israel in October 2008. Initial R&D and product research was undertaken by Liron Frenkel, the founder, with initial loan capital provided by the Israel Innovation Authority. Development work on the Company's first two products commenced in 2011 with a sensor network system for the agriculture market, the MS3000 for Netafim (a major global agricultural products company). In parallel work commenced on the MS4000 for the detection of contamination on electrical transmission lines for the Israel Electrical Company. A new electrical fault detection product the MS5000, for the distribution grid market, is currently under development and mass market production is expected to commence in China in Q2 2018.



***The Metrycom power utility solution consists of wireless sensors, a communication network, and server software that includes analytic functions and IoT (Internet of Things) management capabilities***

The object of the system is to predict and detect faults in the power grid to reduce maintenance costs and improve the reliability of power supply to customers.

The Company has developed unique sensors and algorithms for monitoring the electrical grid, and predicting and detecting faults in high voltage lines.



***The Company presently has two major customers and generated revenues of \$1.46 million in 2017 and pre tax profits of \$320,000 (awaiting audit)***

In 2011 Israel Electric Company (IEC) invested in Metrycom and later became a shareholder in the Company (via a trustee). In 2011 Metrycom also signed a cooperation contract with Netafim Ltd and currently is the main supplier of sensor network systems to Netafim. Netafim is a global \$1.9B agriculture company and a world leader in the field of irrigation and crop management.

In 2016 Metrycom signed a long-term contract with two Chinese partners, Global Science and Technology Ltd and a private investor who owns an important distribution channel, selling sensor products to the power company of China (the State Grid Corporation). Metrycom's partners have created a new company, "Tsingda Smart Science & Technology Ltd", in Beijing to manufacture and sell the Metrycom products in China. Tsingda is now starting to manufacture Metrycom's smart grid sensors in China. Based on projections provided by the Company's Chinese partner, mass production in China is expected to ramp up during H1 2018, and reach annual volumes of about 90,000 sensors in 2019. Metrycom's agreement with Tsingda, signed in June 2016, includes the sale of Metrycom products by Tsingda, the licencing of the technology to Tsingda, and the provision of services according to the agreement. (See Material Contract section in Part 6 of this Document).



***If projections are met, the Company is expected to receive major revenues from its Chinese licensing and production arrangement with Tsingda***

Metrycom has developed relationships with several additional Chinese companies, including Beijing Semeureka Electric Co. Ltd. and Xiamen Four-Faith Smart Power Technology Co, Ltd. which are providers of communication, sensors and other IOT equipment to the State Grid cooperation of China. Metrycom plans to use these relationships to expand its sales in new applications in China and also for upgrading Chinese products and to sell them outside China as part of Metrycom's portfolio of solutions.



***Metrycom had a positive cash flow in 2017 and has not used any external financing since 2015***

**The Offer and EIS investment opportunity**

Mettrycom offers an investment in a growth technology company addressing a large and growing global market. The Company will use the proceeds of the Offer to build its sales and marketing infrastructure to meet its revenue and profits objectives.

The Company believes that subject to the achievement of its business plan and of its sales projections, that by Q3 2019 it should be in a position to seek Admission to AIM.

The Company has submitted an application to HMRC for Advanced Assurance that it will qualify for the EIS. While the Company has taken specialist advice there is no certainty that EIS qualification will be granted.

**What is the industry problem and what does the Company do?*****Background***

Power utilities strive to achieve better visibility and control of their power lines grid. However, in most cases the state of the grid is not visible to the management controllers of the grid. For example, in most lines the power utilities do not know if a line is even powered and what the current is on that line. In general, when a fault occurs, its precise location is not known and the maintenance team needs to find it using trial and error methods. Maintenance is usually reactive and not predictive as the maintenance team does not have the data and analytical tools required to detect the development of vulnerabilities in the network, which can develop into faults, and sometimes may even cause large electrical outages.

In the last decade the concept of a “smart grid” was developed, with the idea of connecting all the assets of the power utilities to a communication network and developing applications that would provide a more efficient visibility and management of the elements in the grid. The smart grid concept is now being applied by electrical utilities and the global market is growing rapidly.

Mettrycom’s technology, its production capabilities and its business partners now enable the Company to seek to become a world leader in smart grid sensors and analytics industry.

Based on discussions with customers and Mettrycom’s estimates, the typical cost of washing a contaminated dual circuit line is about \$3000/km per year, depending on the type of the line and the level of contamination. Currently, maintenance crews cannot get a view of the contamination level in the grid, and selecting the sections that need to be washed is based mainly on experience.

The Company and one of its customers undertook an analysis of the losses arising at the customer level from interruptions in power supply in Israel resulting from faults in the distribution grid. The total losses to the industry due to reduction of durations of outages were estimated to amount to approximately \$370 million, while the estimate of the total cost of installation and operation of the Mettrycom solution throughout this distribution grid was in the order of \$15 million. Thus the potential saving to the industry was more than 20 times the required investment. The power utilities are encouraged by the regulatory authorities to make such investments to reduce outages and interruptions, and increasingly large budgets are allocated by power utilities for this.

The Company operates in a market which is presently valued at a little over **\$128 million but is expected to soar at a CAGR of 30.3% to \$1,447.3 million** in revenues by the end of 2025. (Source: Persistence Market Research’s latest report on the global market for smart grid sensors projects that the market). And see page 33 of this Document.

**What are the Company’s products and what do they do?**

The Mettrycom smart grid sensor solutions consists of wireless sensors, a communication network, and server software that includes analytic functions and IoT (Internet of Things) management capabilities. The object of the system is to predict and detect faults in the power grid in order to reduce maintenance costs and improve the reliability of power supply to customers.

Metrycom also supplies sensor network solutions for other IoT applications. Currently there are three MetrySense product lines, summarised below, in addition to their related analytics software.

<i>Scale of the market</i>				
<i>Product</i>	<i>Manufactured</i>	<i>Functionality</i>	<i>Approximate price per unit</i>	<i>Approximate gross margin</i>
MetrySense-3000	Israel	IoT sensor solution	\$200-\$500	50%
MetrySense-4000	Israel	Smart grid sensor system for fault detection in Transmission Grid	\$2000-\$3000	65%
MetrySense-5000	China	smart grid sensor system for fault detection in Distribution Grid	\$500-\$1000	60%
Software – MetryView		Analytics and IoT software up to 20% annually of hardware values, depending on customer and applications		



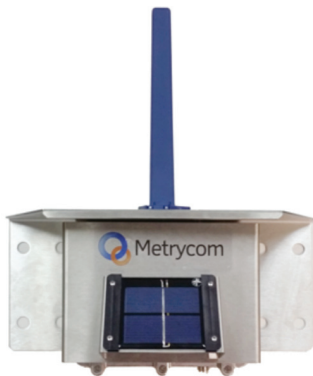
#### **MetrySense-3000 solution**

These are wireless remote units that can connect to a large range of standard off-the-shelf sensors and devices in the field and provide connectivity. The MetrySense-3000 units can be deployed over large areas and automatically form a two-way mesh-radio network between them, and communicate with a central server which processes and presents the data to the customer. The units consume very low power, and operate using internal batteries or small solar panels.

**Price:** Pricing is in the range of \$200-\$500 per unit plus server services, depending on the functionality. In some special applications the price per unit may be much higher

**Customers:** Companies which require wireless sensor networks over large areas for their applications

**Applications:** Smart grid and general IoT



#### **Metrycom's MetrySense-4000 solution**

This product offers unique wireless sensor network and analytics, which are deployed on power transmission lines to detect contamination. Using the information and the analytics software of the MetrySense-4000 system, the maintenance team can efficiently apply preventative maintenance in the contaminated segment of the line to reduce power interruptions and save operation costs.

**Price:** Typical pricing in the range of \$2000-\$3000 per unit plus recurring payments for software analytics service

**Customers:** Power utilities via local resellers

**Applications:** Smart grid in high voltage transmission lines



#### **MetrySense-5000**

High performance wireless sensor network and analytics, which are deployed on power distribution lines to detect, predict and find the location of faults in the grid, e.g. shortcuts, fallen wires, wire cuts etc. The system complements existing systems that the customers may already use. Metrysense-5000 is a high-end solution in the market, with exceptional advantages over the competition:

- Unique field-proven algorithms for reliable detection of location of faults.
- Integrated and independent mesh-radio connectivity – major cost reduction compared to other products, and allowing operation in areas without cellular coverage.
- Exceptional high accuracy of current measurements over a large range of currents (0-600A) especially at low currents (i.e. in rural areas).



2. *MetrySense-5000**Competitors – MetrySense-5000*

	<i>Metrycom</i>	<i>Simple FCI</i>	<i>Aclara (Tolgrade Communications Ltd)</i>	<i>Sentient Ltd</i>	<i>Chinese competitors</i>
Reliable local fault detection in grids with floating/compensated neutral grounding	✓	✗	✗	✗	Partial
Independent and integrated mesh-radio connectivity	✓	✗	✗	✓ Connects to third party network	✗
Power charging from extremely low currents in low power mode (<2A, required in Rural areas)	✓	✗	✗	✗	✗
Backup battery for more than 5 years without current in the line	✓	✗	✗	✗	✓
Large current measurement range (0-600A) with exceptional accuracy of <0.1% of full range in low currents	✓	✗	✗	✗	✗
Waveform recording, power quality measurements and diagnostics	✓	✗	✓	✓	✓
IP67 waterproof, Aluminium and composite materials with 10Y + operation	✓	✓	✗	✗	✓

✓ *features supported.*✗ *features not supported**Important note: Data about competitors is based on Metrycom's best estimates.*



The largest competitors in the MetrySense-5000 market are Aclara (acquired Tolgrade), Sentient and Grid Sentry, with a combined market share of about 50% of the US smart sensor market in 2014 (according to a report by IHS), with limited international presence.

Since there are no distribution grids with floating/compensated neutral grounding in North and South America, US competitors do not have experience with such grids and do not offer reliable solutions. These grids are popular in many parts of the worlds (e.g. China, Israel, Japan, parts of Europe, and others).

**Tolgrade Communications Ltd.** was one of the first companies to enter the smart grid sensors market as an addition to its communication monitoring business. Their smart grid business was later acquired by Aclara (in August 2016). Although the company was one of the pioneers in this business, Tolgrade's sensor does not support mesh radio connectivity, the sensor cannot be charged from line currents below 3A or 6A (depending on the model); it does not include a backup battery to operate for long time periods when power is down or low; its waterproof level is only IP55, and it uses a simple plastic enclosure. In addition, it does not support grids with floating/compensated neutral earthing.

**Sentient Energy** was founded in 2009, and one of its shareholders is GE Ventures. Sentient's sensor does not support dependent mesh radio network but it can connect to mesh radio networks of communication service providers like Silver-Spring and Landis+Gyr. Metrycom's advantage over such solutions is that its modular cellular+mesh radio solution does not require additional service costs to network operators (like Silver-Spring), and it can be installed anywhere in the world, including locations that do not receive network services from such companies (which is usually the case in North America). The Sentient sensor requires line current of 6A for cellular operation and 10-12A for mesh radio operation compared to 2A for basic low-power operation of MetrySense-5000. It does not include a backup battery to operate for long times when power is down or low.

Since Metrycom 5000 product will be produced in China in very large quantities, should permit this product to be priced very cost effectively and should permit the Company to compete effectively in price-sensitive tenders.

### Competition in China

Metrycom's partners have selected the Metrycom and MetrySense-5000 solutions as a high-end offering in China, with the following advantages over local Chinese competitors:

- High detection reliability compared to competitors especially in grids with floating/compensated neutral when reaching a detection decision locally in the sensor basis
- Mesh radio capability
- High current measurement accuracy over a wide temperature range (-40°C to 70°C), especially at low currents
- Accurate and reliable electric field and voltage measurement in difficult weather conditions and with insulated wires – a unique feature
- High timing accuracy
- Strong structure of aluminum and composite materials
- Long operation life (10Y+)
- Improved charging capabilities and low-power consumption at low-power mode below 2 Amps

### What is the scale of the market

Metrycom operates in the IoT (Internet of Things) market and in the next two years the Company plans to focus on the smart-grid sensor market. Metrycom's goal is to become a leader in the smart-grid sensor market by utilizing its unique technology, and its effective manufacturing capabilities which will be developed by the expected very large volumes in China.

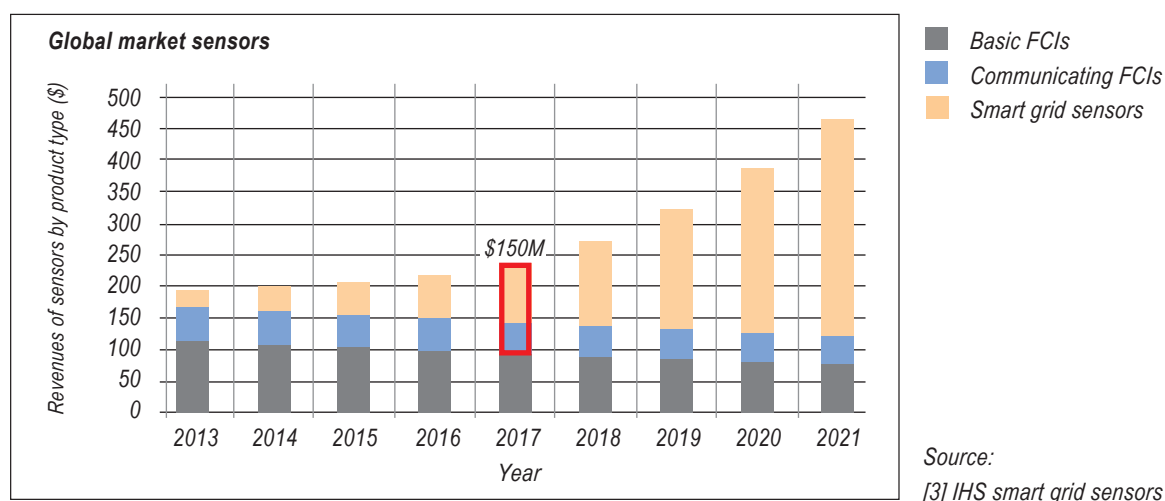
According to market research by Research-and-Markets [1]: "The Internet of Things market is expected to grow from **\$170.57 Billion in 2017 to \$561.04 Billion by 2022**, at a CAGR of 26.9%, as a result of the advent of advanced analytics and data processing techniques, which permit to derive results from high volumes of data collected from the machine-to-machine communication devices."

### Scale of the IOT and smart grid market

IoT (Internet of Things)	Smart grid sensors
\$170B @ 2017	World: \$140M @ 2017
\$560B @ 2022	\$1.4B @ 2025
(CAGR of 27%)	(CAGR of 30%)

According to market research by Persistence Market Research [2]: “The global energy sector is transitioning into intelligent, efficient network of power supply, and smart grids are actively replacing conventional power grids across the world. The demand for smart grid sensors grows in parallel with surging adoption of smart grid technology. Detection and monitoring operations have already helped save potential losses worth millions of dollars. Therefore, **smart grid sensors** are also expected to gain surplus demand in tomorrow’s energy industry. Persistence Market Research’s latest report on the global market for smart grid sensors projects that the market, which is presently valued at a little over **\$128 million will soar at a stellar CAGR of 30.3% to bring in \$1,447.3 million** in revenues by the end of 2025.”

A previous market research report by IHS [3] predicted revenues of smart sensors and communicating fault current indicators (FCI) of about \$150 million in 2017:



It should be noted that while the technology of the Company permits it to address other segments in the IoT market, in the next two years Metrycom will focus on the sensor market for smart grids, and will seek to become a leader in this market.

Nevertheless, Metrycom will continue to supply the MetrySense-3000 wireless sensor network solution to Netafim Ltd. for the application of sensor network for agricultural crop management, and the Company will keep a parallel “narrow bandwidth” business development activity in other areas of IoT, with several partners, and plans to use the IoT tools developed for additional segments of this market in the future.

### Sales and marketing – target market segments for the Company’s products

#### Power utilities

The main target market for the Metrycom products is the power utilities market, both investor-owned utilities or publicly owned utilities. Some power utilities (usually public) own high voltage transmission lines and they are potential customers for the MetrySense-4000. Other power utilities own medium voltage distribution grids and are potential customers for the MetrySense-5000. In some cases, power utilities, or a group of power utilities, own both transmission lines and distribution grids.

### General Internet of Things customers

Metrycom supplies the MetrySense-3000 product and server services to companies that require wireless access to a large number of sensors in the field over larger geographical areas. Netafim Ltd is an example of such a customer.

### Customer Revenue Analysis – 2016 and 2017 actuals and projected 2018 and 2019

Historic ad projected revenues US\$'000		2015	2016	2017	2018	2019
Customer A	HW	180	290	360	510	580
	SW + Service	30	30	50	100	120
Customer B	HW + Royalties	–	70	50	850	4,100
	SW + Services	–	220	980	930	900
Other customers	HW	–	–	20	470	3,400
	SW + services	–	–	–	150	900
Total		210	610	1,460	3,010	10,000
HW = hardware SW = software						

*The projections and forecasts above have been prepared after due and careful enquiry by the Directors and have been prepared on a basis comparable with the historical financial information of the Company. They are forward looking statements and should be considered with reference to the Risk Factors in Part 3. There is no certainty that projections will be achieved.*

Metrycom derives its revenues from software, royalties and sale of hardware.

Metrycom's customer **Netafim, a \$1.9 billion company and a world leader in irrigation and agriculture crop management products** was Metrycom's first customer. It purchases from Metrycom the MS3000 sensor as well as software and service. The Metrycom software provides in this case the sensor network (IoT) management and retrieval of the data received from the sensors in the field. This application of Metrycom's technology is in the Internet of Things market. Netafim sells Metrycom's MS-3000 products in more than 15 countries, including the USA, Europe, South America and Asia Pacific. The revenues from Netafim show a stable business with good projected growth.

**Tsingda** is a Chinese company located in Beijing. The company is a distributor of sensors to the State Grid Corporation of China Grid. Metrycom has established a relationship with Tsingda whereby Tsingda has licensed Metrycom's software and hardware for the MS 5000 solution. Tsingda is manufacturing the MS5000 on a mass market scale and is projecting to manufacture and to ship tens of thousands of units in 2019. Metrycom's revenues in 2018 and beyond will consist of royalties and software and service revenues. Tsingda is planning a mass market rollout of the MS5000 in 2018.

Israel Electric Company (IEC) is a customer and also a shareholder in Metrycom. The relationship with IEC began in 2011 when Metrycom started to develop its MetrySense-4000 system based on the requirements of IEC.

### Other prospects

The Company, to date, has adopted a reactive approach to sales and marketing, responding to leads rather than actively initiating marketing. At the completion of the Offer, the Company will begin to build its sales and marketing team to plan for the growth of revenues in 2018 and 2019 revenues.

Prospects currently in the pipeline which are expected to drive 2018 and 2019 revenues are summarised below:

Australia	MS4000 ongoing pilot for transmission utility
Greece	Early stage discussion
China (IoT)	Smart City fire monitoring trial kit supplied
A Gulf State	via Reseller
Russia	Installation of MS4000 – now discussing MS5000
Italy	Discussion of a joint project

US	Early stage discussion with a reseller
Senegal	Early stage discussions
Panama, Ecuador, Vietnam	Have requested a proposal
India	Preliminary leads with request to cooperate with Metrycom
Military customer	A military sensor network application (final requirements already developed with the customer)
Chile	Ongoing MS4000 trial
Croatia, Slovenia	Early stage discussion with a reseller

The above projects range from pilot tests at a sales value of \$10,000 to major projects with a value of \$30 million.

### ***Geographic segmentation***

The smart sensor market is developing very rapidly globally with annual growth rates of over 30%. Some countries already have a developed smart sensor market and others are just starting pilots and deployments.

#### ***China***

China has the most organized smart-sensor market, with well-developed standards and is consuming very large volumes of sensors. The market is steered by the government and by the State Grid Corporation of China, which has allocated very large budgets to move from simple local fault indicator sensors to sophisticated online smart sensors. Metrycom's sensors are positioned at the highest level of the sensor market in China and in the world. The prices of sensors in China are lower than in other countries and Metrycom is using the high volume manufacturing of its partners to reduce the price of the sensor while maintaining its high quality. The players in the Chinese market are mainly local Chinese companies. International companies have not been given access to the market. However, Metrycom was able to penetrate this market with the cooperation of its local partners who have created a local company to sell products to the final customer.

#### ***South America***

South and Central American countries, and especially Brazil, started to test smart sensor technology approximately three years ago and deployments are ramping up with an expectation of rapid market development and growth. The market in Brazil is stimulated by the regulator offering a regime of significant incentives and penalties that further encourage the power utilities to invest in new technologies. Metrycom's MS-5000 and MS-4000 systems were successfully tested in South America and the Company is now planning to invest in sales and marketing efforts in order to become a leader in this region.

In Brazil Metrycom is working with Atech Ltd., which belongs to the Embraer group. Several MetrySense-5000 pilots were already conducted with the first prototypes of the product.

In Chile Metrycom is working with a local agent and is running a trial with the power utility TransElec.

#### ***United States***

The United States has been in the forefront of smart grid sensor market development, in part due to the American Recovery and Reinvestment Act of 2009 which provided the investment needed to install extensive grid distribution layer communications networks. Currently the US smart sensor market is the most mature in the world and is dominated by several local US companies. This market is going to develop at a slower rate compared to the rest of the world. A US prospect has approached Metrycom regarding the MS 4000 and has introduced a reseller and a pilot is under discussion.

#### ***Australia***

A trial is currently also being conducted in Australia.

#### ***Europe***

Altex Technology Ltd is a reseller of Metrycom in Russia. Metrycom sold through Altex Technology the MetrySense-4000 systems to the power utility, Lenenergo, in St Petersburg. The solution is used to monitor pollution on transmission lines near highways. Anti-freeze material that is used during the winter may stick to the insulators, and on several occasions has caused massive interruptions in St Petersburg.

In addition, Metrycom is in discussions to start pilots with prospects in Greece, China (IoT partners), Gulf countries, Italy, India, Panama, Vietnam, Senegal and California.

**Board and Management**

The Metrycom team includes highly experienced executives and engineers from the Israeli Hi-tech industry bringing capabilities in developing complex multidisciplinary systems which are integrating technologies of signal processing, communications, and high voltage engineering.

***Liron Frenkel, Founder and CEO***

Mr. Frenkel founded Metrycom in October 2008. He has 25 years experience as an executive and manager of large R&D groups developing algorithms, signal processing and communication systems. He has 13 registered US PTO patents to his name.

Mr. Frenkel has held management positions in Orckit, Tioga/ST and Metalink; he has successfully led the development of numerous communication systems and devices and had submitted 19 patent applications.

From May 2004 to April 2007, Mr. Frenkel served as VP R&D at Metalink Broadband where he was responsible for the development of wire-line and wireless products, including a successful development of two generations of an 802.11n chip-set and reference system, which was based on new technology. Mr. Frenkel was responsible for transforming Metalink's R&D organization from wire-line to wireless. At the time the organization included 100 engineers and multidiscipline R&D groups, including a VLSI division, RF team, hardware team, QA division, embedded firmware group, system team, algorithms team, PC-drivers development team, a new design centre in Kiev that specialized in developing Linux, and an RFIC team that was located in the US.

From May 2003 to May 2004 Mr. Frenkel served as a Director of Wire-line Engineering at Metalink, where he was responsible for the final development phases and for the product development of Metalink's VDSL reference design. After a very intensive work, which included re-designing parts of the product and working closely with Metalink's Korean customers in order to solve problems in their systems, Metalink's customers passed Korea Telecom's benchmark tests, and won half of the Korean market.

From 1994 to 2003, Mr. Frenkel held several key R&D positions at Orckit and Tioga, including managing the algorithms and system division and leading the various system on a chip projects as a subcontractor for LSI logic, Ultracom, Fujitsu, OKI, Conexant and ST.

From 1993 to 1994, Mr. Frenkel was a member of the Faculty of Electrical Engineering at Tel Aviv University. Prior to that, Mr. Frenkel served in a professional unit of the Israel Defense Forces managing and developing computer databases (1984-1987). He holds a B.S.E.E Cum Laude in EE, M.Sc. in EE and MBA from Tel Aviv university.

***Shay Frenkel, R&D Manager***

Shay brings 13 years of experience in software development, including 3.5 years as a real-time software engineer in Alvarion Ltd where he developed communication systems and algorithms. Shay has a broad experience and knowledge both in real time engineering including hardware drivers and communication protocols, and also in internet applications and servers. He holds a B.S.E.E in electrical engineering from Tel Aviv University.

***Ilan Daniel, Operations Manager***

Ilan brings over 20 years of experience in operations management. For more than 10 years Ilan served as the supply chain manager of Cisco Systems R&D centre in Israel and held several VP Operations positions for start-up companies such as TruMedia Technologies, PicSix. Ilan has extensive practical experience in all areas of operations, emphasis on supply chain, procurement and Logistics. He holds Industrial engineering and management practical engineer degree from the Engineering School of Tel-Aviv University (Graduation with honours).

***Meir Gellis, Non-Executive Director***

Meir Gellis founder and CEO since 1999 of TestInsight Ltd, a company which has become a leader in industry standards for semiconductors and test engineers worldwide. TestInsight supports hundreds of customers worldwide in SEAsia, USA, Europe, and Israel, in all segments of the IC industry including test houses and IC manufacturers IDMs, and fabLess design houses. Prior to TestInsight, Meir served as semiconductor test engineer and consultant to various international firms in Israel, US and Europe including Intel, Motorola Semiconductors, AMD, ST-Micro, Texas Instruments, Analog devices, and others. Meir holds BSE and MBA from the Tel-Aviv university.



***Gabriel Berdichevsky, Non Executive Director***

Mr. Berdichevsky is the CEO and owner of GISYSTEMS, a civil engineering and architecture consulting firm specialized in the construction management, planning, and control and software development, whose main operations are in Latin America. He is also engaged as a Director of other companies in Central America, including Fleetech/Gasit engaged in gas fleet management, Ingenieria y Desarrollo which invests in BOT lightning projects, Plades S. A., a Panamenian engineering consultant, and Tal Engineering, which manages real estate in Guatemala. As part of his professional experience he was an associate manager at The Louis Berger Group, one of the largest transportation consulting companies worldwide. Mr. Berdichevsky has a MSc degree in Civil Engineering and has worked in 20 countries. He has been a shareholder of Metrycom since 2012.

***Robert Wilcox, UK Industry Adviser to the Company and to CSS***

Robert owns and operates a consultancy firm in the Energy sector. He has over 25 years experience of power generation, transmission, distribution and fuel supply networks. Prior to establishing his consulting firm he held long term positions with a number of major companies including Electrocomponents Group, Raychem and Central Electricity Generating Board. He has an MBA from Insead (1989) and an MA in Engineering from Cambridge University (1979).

**Production**

Metrycom's Chinese partner, Tsingda Science and Technology, is completing the construction of a production line in China in Q1 2018 for the production of the MetrySense-5000 product. The output of the factory is expected to ramp up to tens of thousands of sensors per year.

The Company has the right to source product from this factory at mass market prices to supply to its other customers outside China.

Metrycom also manufactures its other products (MetrySense-3000 and MetrySense-4000) in Israel using a subcontractor, with final testing performed in the Company. Metrycom is also able to manufacture small quantities of the MetrySense-5000 sensor in Israel. These volumes can be increased in the future by using other local subcontractors.



*Metrycom production line  
at Tsingda*

**Summary of the Company's strategy and business plan for 2018-2019**

Metrycom's business model is to sell the Metrycom solutions internationally through local partners, distributors and resellers. The solutions consist of a) sensors and b) subscription to software licenses and services (including analytics and IoT).



Mettrycom provides support to its local representatives, especially in the early meetings where a deeper understanding of the technology and of the customer needs are essential.

The Company's short term milestones include:

Q1 2018	<ul style="list-style-type: none"> <li>• Bring on stream the production line at Tsingda in China</li> <li>• Start manufacturing a first batch of 3000 units of the MS-5000 sensors</li> <li>• Develop and close business opportunities with additional customers that are still at the pilot stage</li> </ul>
Q2 2018	<ul style="list-style-type: none"> <li>• Complete the CSSE private placing</li> <li>• Appoint a VP marketing &amp; sales and commence international customer sales visits</li> <li>• Appoint a manager of technical customer support</li> <li>• Commence focussed public relations, social media and promotional activity</li> <li>• Provide paid services to Tsingda, including software additional software adaptation to customer needs</li> <li>• Create a local inventory of products for rapid response to requests for pilots and trials</li> <li>• Develop smooth operation for rapid and simplified provision of paid pilots and field trials to customers</li> </ul>
H2 2018	<ul style="list-style-type: none"> <li>• Achieve closing of sales of customers who have received pilots and trials (see list on pages 23 and 24)</li> <li>• Increase manufacturing volumes in China</li> <li>• Start additional projects in China</li> <li>• With the appointment of new sales and marketing personnel establish prospect list that will drive 2019 sales</li> </ul>

### Expected evolution of the technology

The rapid growth of the smart grid market is stimulating the creation of new applications to meet customers' growing requirements. For example, in South America there has recently been significant demand for large sensor networks for specific applications. And there are new global wireless communication technologies that are becoming popular (e.g. LoRa and LTE-M). Mettrycom is maintaining close relations with its customers to remain abreast changing technologies which may affect its core business.

### Use of proceeds

The Company will use the proceeds from the Offer to expand its sales and marketing infrastructure to drive sales growth in 2018 and 2019 and some investment in new product development will be undertaken.

### Research and development

The Company is planning to sell, with its Chinese partners, new types of products, beyond the scope of the initial engagement. Products being considered include sensors for underground cables and various IoT products.

The Company is also planning to adapt products that will be manufactured by its Chinese partners and sell them to customers outside China. This will include very low-cost sensors and other related equipment. All hardware products, Mettrycom's and third parties', will be managed by Mettrycom's analytics software and analytics and sold in conjunction with such software.

### Intellectual property

The intellectual property of the Company includes:

- Algorithms and methods for detection and localization of faults in the medium voltage distribution grid.
- Algorithms and methods for detection of contamination on transmission line insulators in order to estimate risk of power interruption.
- An approved patent: "System and method for assessing faulty power-line insulator strings", US patent number 9,244,114.

### Exit planning and valuation

The Company expects to seek an AIM listing in Q3 2019 assuming it achieves the growth of sales and profits in its business plan.

## FINANCIAL

### Summary historical financial information

Revenue in thousands of \$		2015	2016	2017	2018	2019
Customer A	HW	180	290	360	510	580
	SW + Service	30	30	50	100	120
Customer B	HW + Royalties	–	70	50	850	4,100
	SW + Services	–	220	980	930	900
Other customers	HW	–	–	20	470	3,400
	SW + services	–	–	–	150	900
Total		210	610	1,460	3,010	10,000
HW = hardware    SW = software						

The projections and forecasts above have been prepared after due and careful enquiry by the Directors and have been prepared on a basis comparable with the historical financial information of the Company. There is no certainty that projections will be achieved. They are forward looking statements and should be considered with reference to the Risk Factors in Part 3.

#### Review of 2016

- Company has a single significant customer
- Signed agreement with second significant customer – Tsingda of China
- Company is cash flow neutral

#### Review of 2017

- Tsingda, China begins to buy products and services
- Growth in other customer revenues
- Company is cash flow positive
- Develop a new product (MetrySense-5000) and related mass production tools and processes

#### Assumptions underlying 2018 projections

- China partner completion of mass production facility and major increase in volume planned for 2018
- Prospect list of new accounts growing with at least 6 new field trials
- Planned increase in sales and marketing personnel
- Bidding on one major contract
- Projected doubling of 2017 revenue to \$3 million and projected pre tax profits of £348,000

#### Assumptions underlying 2019 projections

- Broader base of customers and significant increase in revenues resulting from prior increase in sales and marketing resource
- Assumed no loss or reduction in revenues from major customers
- Projected growth of sales to \$10 million and projected pretax profits of \$1.8 million

### Summary of prior financings by the Company

Metrycom Communications Ltd – Summary of prior financing				Comments
Financing raised by Metrycom from 2008 to 2017 (\$)				
2009-2017	Israel Chief Scientist	950,000	Various grants and loans – repayable out of a variable royalty on sales or exit, under the Israeli R&D law	
2009-2012	Ordinary A Shares	1,592,000		
2012-2015	Convertible Loans	1,672,000	Converted into Ordinary A Shares	
Total	Funding to date	4,214,000	Last pre money valuation approx \$5M	

## PART 5

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### INDUSTRY BACKGROUND AND TECHNICAL APPENDIX

#### Further details on the MetrySense portfolio of solutions

The Company has developed unique sensors and algorithms for monitoring the electrical grid, and predicting and detecting faults in high voltage lines.

The sensors can be deployed over tens of kilometers, creating an automatic radio communication network, while using power harvesting from magnetic fields to enable operations. The sensors do not require battery replacement, and are expected to operate for 10-20 years without maintenance.

The Company has developed unique analytical software that enables continuous control of the status of the power lines. The software includes proven IoT capability for managing sensors in the field, as well as management of other equipment and standard sensors which are deployed in the field.

The system expands and complements the existing systems which are presently used by power companies, such as SCADA and DMS systems, and can cover the entire grid including power lines that are currently not reached by existing systems.

Metrycom's products can predict and detect faults in complex situations that other products cannot detect. This includes high impedance phase to ground faults that can be generated by fallen wires, pollution on power line insulators that can create interferences and power failures and many other type of faults.

Metrycom's solutions enable smart and efficient maintenance, dramatically reducing powerline network failures and reducing operating costs while maintaining the reliability and safety of power lines.

#### Metrycom's MetrySense-4000 solution

The MetrySense-4000 system provides a complete sensing and communication solution for monitoring contamination over power line insulator strings. The system provides an online view of the contamination in the electric transmission system. Now power utilities can optimize the utilization of resources and streamline costs by targeting only those sections presenting probable flashover risk. The result is a significant reduction in power interruptions and the avoidance of unnecessary washing operations.

The sensing method is patented. The communication method is also unique: it is extremely robust and low-power, thus allowing a maintenance-free operation for an expected 10-20 years, without requiring battery replacement. The MetrySense-4000 sensors and data acquisition units are deployed on the shield wires above the high voltage lines, and each sensor can cover 2km and detect contamination over tens of insulator strings. The sensors are providing online insulator monitoring and supplying real-time information about the risk of development of flashovers and interruptions.

The MetrySense-4000 system includes the following components:

- Sensor units (SU), connected to the ground wire using a clamp.
- Data acquisition units (DAQ) are connected to the SU via a cable and include a detection circuit and a radio modem. The DAQs are usually using a miniature solar cell and can operate without a need of battery replacement for a period of 10-20 years.
- Gateway unit (GW) – Communicates with the CUs and provides a gateway to the cellular network or to a computer in a sub-station.
- MetryView, computer client software, which presents the information to the user via the internet.

From a competitive point of view, the MetrySense 4000 solution is the only product in the market offering:

- Complete solution that includes sensing, communications, servers and analysis software, including management tools for tracking and analyzing results of washing operations and power interruptions due to contaminated insulator strings.

- Support from a team which is the world leader in the field of flashover over transmission line insulator strings.
- Large database of tested insulator strings, allowing accurate performance without need of calibration.
- Lab based calibration techniques for calibrating the system for new types of insulators.
- Unique patented methods and algorithms.

The Company has calculated the return on investment of the Metrysense 4000 product and estimates a payback of 1.5 years from savings in “washing” operations only. In addition to this are the savings in electricity consumption lost during down times and potential penalties from regulators. It should be noted that the statistical data base for calculating savings is still small.

### **Metrycom’s MetrySense-5000 solution**

The MetrySense-5000 is the latest product developed by the Company. This system enables maintenance teams to reduce the duration of outages by identifying accurate fault location in real-time, thus reducing power interruption to the customer. This is measured by statistical functions such as SAIDI and CAIDI, see <https://en.wikipedia.org/wiki/SAIDI>). One of the advantages of the Metrycom 5000 is that it complies with most of the distribution grids in the world, including solidly earthed neutral grids (used in the United States and other countries), grids with floating or high impedance earthing (used in China and in many other locations in the world) and SWER grids (used in Brazil, Australia, and additional countries).

MetrySense-5000 is an online wireless monitoring system which complements distribution management systems (DMS) and provides online information about faults. Using MetrySense-5000, the maintenance team can significantly shorten the search time of faults in the distribution network, reduce the number of power interruption events, reduce the damage to the network due to multiple unsuccessful re-energizing attempts during the search of a fault, and improve safety. Metrysense-5000 is extremely efficient in reducing costs of energy not supplied.

The sensors are easily deployed using grip all hot stick without requiring to turn off the power of the line.

Once deployed, the sensors automatically create a secured mesh network among themselves, and connect to the communication infrastructure of the power utility through a gateway unit. The distance between the sensors can be up to 10km (depending on radio regulations in each country and the type of area).

The MetrySense-5000 sensor constantly samples and records current and electric field waveforms at a high rate and calculates the voltage, and multiple power quality parameters. The sensor reports abnormal events such as surges, current increments and current/voltage drops, maintains logs, and can be accessed at any time by the MetryView-5000 server.

### **MetrySense-3000**

MetrySense-3000 is a modular low-power outdoor connectivity system that interfaces digital and analogue sensors, meters and actuators and connects them via a low power wireless mesh-network to IP gateways and remote monitoring centres.

The MetrySense-3000 enables modern industries to expand continuously their dependence on real-time data acquired from a growing number of sensors of multiple types, which are installed in an increasing number of machines both locally and remotely, thus expanding the area coverage of sensor networks.

This trend affects power utilities, infrastructure projects, agricultural crop management and more. Such environments require a reliable and secure control over large geographical areas, which often do not feature convenient power supply and/or communication lines in the zones where sensors are required. As a consequence, data must be collected using a flexible and scalable wireless network, independent of any external power sources, robust and that can seamlessly connect with the many types of data protocols typically used by industry.

Customers for such networks also demand rapid, simple and non-intrusive deployment, easy remote monitoring, self-healing and secure communication in order to ensure a highly reliable connectivity between their monitoring and control centres as well as between the remote sensor and actuators.

In order to address this growing trend, MetrySense-3000 has been uniquely designed to provide a robust wireless network with industrial strength connectivity that meets the stringent customer requirements. The low power units can operate 10-20 years using power feeding from miniature solar panels, or alternatively can use internal primary batteries for 4 years and beyond. They are simple to install in the field, have a small physical form and housed in a IP67 waterproof casing. This reliable wireless communication technology is based on IPv6/6Lowpan and RPL routing, which is self-configuring, self-healing and secure.

### **The problem of fault detection and localization in medium voltage distribution grids**

The medium voltage distribution grids include substations and lines. Each line is connected to a substation, which is supplying power to the line and typically splits into many sub-lines in a “tree” topology, covering areas of tens of kilometres and more than a hundred kilometres in rural areas. In a typical power distribution system operating without online smart sensors, following a system fault, a protection switch in the substation trips and the power to the line is turned off. The customer’s control system in the substation then tries to reconnect automatically the power to the feeder. If the attempt to reconnect the power fails, the power is turned off again, and the maintenance team starts searching for the location of the fault. During the search, the maintenance team disconnects segments of the line using manual disconnection switches and trying to apply power again. If the fault recurs, this operation is repeated until the defective segment is identified. Some utilities are using remote controlled switches, called “reclosers”, in order to control the switching remotely and to save some of the manual operations. Using remote controlled switches reduces the search time. However, because of cost considerations, most of the disconnecting switches are usually handled manually, and a typical search operation will last more than one hour on average, and sometimes can take many hours. Some utilities are not disconnecting power automatically, even if a fault persists, and in this case searching the location of the fault is performed without disconnecting the power.

Using remote controlled disconnection switches for locating a fault has its limitations: the operation is generally manual – when a fault occurs, the entire circuit is automatically disconnected. After isolating a segment remotely, it is necessary to further isolate the exact faulted segment in the field by manually switching off parts of the circuit. If the team could obtain accurate information about the location of the fault in advance, it would go directly to the correct disconnect switches, and reduce the searching time considerably.

### **Disadvantages of the “trial and error” search method**

Without an online fault indication system, the maintenance team must apply power a number of times (either remotely or manually) in a “trial and error” method, trying different segments, and check if the fault persists. The disadvantages of this method are:

- During the long search time, customers do not receive any power, and service quality is impaired. Power utilities are required to measure statistics of availability of the power service and these statistics are reported to the regulators. In many countries the power utility may be subject to penalties if it fails to meet targets.
- The cost of long search time, mainly the manpower of the maintenance team.
- A safety problem – the fault area is exposed to repeated damages due to the voltage reconnection and in some cases, people may get electrified in such situations.
- Damage to the network – reconnection of the voltage in a fault circuit exposes the grid at each trial to high current surges, and in some types of networks this can sometimes create sub faults in other segments of the network.

### **The problem of contamination over power line insulator strings (MetrySense-4000)**

The contamination of electrical lines resulting from emissions from neighbouring industrial and farming activity as well as natural elements such sea salt, sand and birds can cause deterioration and flashovers in electrical insulators.

Contamination over power line insulator-strings is a major source of power quality impairment. The contamination can cause flashovers, that results in shortcuts and wide-area power sags (instantaneous voltage level drops). This can cause significant damage to the power consumers. The industry bears extensive losses due to these power quality impairments. Large maintenance costs are spent by power utilities on washing insulators using helicopters or special trucks. For example, a research study estimated that the loss due to power sags in Italy to be about 800 million Euros per year [5].

## TECHNOLOGY

Metrycom has invested considerable resources in high voltage and signal processing research, both in the laboratory and in the field. The Company's vision is to use its multidisciplinary experience to provide unique and reliable technologies to its customers to assist them to significantly improve power quality, increase safety and reduce operating costs.

### Disruptive flashover prediction technology

The MetySense-4000 (MS4000) Flashover Prediction system is a unique and innovative patented solution designed for High Voltage T&D power lines. As of today, this disruptive flashover prediction technology is the only proven and operational solution of its type deployed in live environments. MS4000 reliably and efficiently provides real-time analysis of contaminated insulators and predicts likely flashover-prone units. Each MS4000 sensor covers a two-kilometer power line segment, which includes all the insulators situated in its range, as opposed to the prevalent technology in use, Current Leakage Detection, whereby one sensor can only monitor a single insulator. The Company believes that this is the only available monitoring system offering a rapid return of investment.

### Unique embedded algorithms for reliable fault detection

The MetySense-5000 (MS5000) Fault Detector & Analysis features unique sensors and methods for the detection and localization of high impedance faults. The sensors embed proprietary algorithms for reliable fault detection both in distribution power grids with solidly earthed neutral and in distribution grids with a Petersen coil compensated neutral.

### Ultra low power consumption

All MetySense products use novel, proprietary algorithms and feature an innovative hardware design, resulting from many years of development and a unique expertise in the fields of T&D power lines, signal processing and radio communications. Consequently, the MetySense family of sensors and routers achieves an extremely low power consumption, consistently proving its effectiveness when compared to competing units and/or technology. For illustration, the MS5000 sensor used for fault detection and analysis can be inductively powered from the HV line, even when the current drops below 2A, in low power mode. This novel feature allows for the widespread deployment of the MetySense-5000 solution in nearby and/or remote rural areas.

### Empowering power utilities with Internet of Things technology

The MetySense family of sensors integrates long-range radio as standard feature (up to 10km point-to-point and over 100km in a mesh network configuration). Point to point range can be extended by tens of kilometres using high gain antennas. Furthermore, each MetySense sensor is running an IPv6 stack including a RPL routing protocol, and thus the sensors themselves embed the capability to automatically create at deployment a large scale 6LowPAN IPv6 mesh network without requiring additional routers, gateways, repeaters or transformers. This is an important advantage compared to majority of other solutions deployed today, which require a nearby communication infrastructure that feeds from transformers and represent a costly installation and integration process. In addition, MetySense supports cellular connectivity to any cellular network, and provides full network management tools in order to manage the cellular sensor network.

1. Flashover Prediction system is a unique patent-pending solution designed for High Voltage T&D power lines.
2. Fault Detector & Analysis features sensors and algorithms, which rely on high frequency signals for the detection and localization of high impedance faults. Patent submission is in process.
3. The MetySense family of sensors and routers achieve the lowest power consumption in its class, consistently proving its effectiveness when compared to competing units and/or technologies.
4. The MetySense family of sensors integrates long-range radio as a standard feature (up to 10km point-to-point and over 100km in a mesh network configuration). Furthermore, each MetySense sensor is running an IPv6 stack including a self-healing RPL routing protocol, and thus the sensors themselves embed the capability to automatically create at deployment a large scale 6LowPAN IPv6 mesh network without requiring additional routers, gateways, repeaters or transformers.



## In Summary

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## PART 6

**ADDITIONAL INFORMATION ON THE COMPANY****1. The Company**

- 1.1 The Company was incorporated on 30 October 2008 under the Companies Law, 1999 as a private limited company, with registered number 514198530. The liability of the members of the Company is limited.
- 1.2 The Company's registered office is at 20 Galgalei Haplada, Herzliya, Israel, 4672220.
- 1.3 The purpose of the Company is to engage in any lawful activity.

**2. Subsidiaries and investments**

- 2.1 The Company has no subsidiaries.

**3. Share capital**

- 3.1 The registered and issued share capital of the Company at the date of this Document is, and following completion of the Offer, assuming Subscription in Full, will be as follows:

	<i>Ordinary Shares</i>	<i>At present nominal value</i>	<i>Ordinary Shares</i>	<i>Following the Offer nominal value</i>
Registered	1,000,000	NIS 10,000	1,000,000	NIS 10,000
Issued	305,670	3,056.7	305,670	3,056.7

	<i>Ordinary A Shares</i>	<i>At present nominal value</i>	<i>Ordinary A Shares</i>	<i>Following the Offer nominal value</i>
Registered	1,000,000	NIS 10,000	1,000,000	NIS 10,000
Issued	638,770	6,387.8	892,435	8,924.35

- 3.2 The Company has granted such options over its Ordinary Shares as further described in paragraph 7 below. Shares acquired upon the exercise of options shall be voted by an irrevocable proxy, such proxy to be assigned to the person designated by the Board of Directors. By this proxy, the respective shareholder's right to vote any acquired Option Shares shall be assigned to such person. In addition, under the Share Option Plan, the Option Shares cannot be transferred during a period of six months after issuance, unless as part of a change in control.
- 3.3 Other than as disclosed in this paragraph, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.
- 3.4 Other than as disclosed in this paragraph no share of the Company is under option or warrant or has been agreed conditionally or unconditionally to be put under option or warrant.
- 3.5 As of the date of this Document there are no immediate plans to grant any of the options which are reserved but not yet granted under the 2011 Share Option Plan.

**4. Articles of Association**

The following is a description of the rights attaching to the Ordinary Shares and the Ordinary A Shares based on the Articles and Israeli law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles. Any capitalised terms used but not defined herein shall have the meaning ascribed to them in the Articles.

**4.1 Share Capital**

- 4.1.1 Share capital of the Company is made up of the Ordinary Shares and the Ordinary A Shares. The shareholders may increase the share capital by the creation of new shares from time to time.

- 4.1.2 Subject to the provisions of any law, the Company may issue shares with such preferred or deferred rights, rights of redemption or other special rights or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, all such rights to be determined by the Company from time to time.
- 4.1.3 If at any time the share capital is divided into different classes of shares, the rights attached to any class may be modified, abrogated or otherwise dealt with by the Company, with the consent in writing of the holder(s) of the majority of the issued shares of that class.
- 4.1.4 Subject to the provisions of the Articles,
- a) the authorised and unissued share capital of the Company shall at all times be under the control of the Board of Directors which may allot them or otherwise dispose of them, either at a premium or at par, or, subject to the provisions of the Companies Law, at a discount, at such times as the Board deems fit;
  - b) the Board shall have the power to grant any person an option to acquire any shares in the Company, either at par or at a premium, or, at a discount, all at such times as the Board may deem fit.
- 4.2 *Consolidation, subdivision, cancellation, and reduction of share capital*  
 Subject to the provisions of the Companies Law, the Articles and the terms of any shareholders' resolution, the shareholders may, from time to time, (a) consolidate and divide all of any of its issued or unissued share capital, (b) subdivide issued or unissued shares into shares of smaller nominal value than the one fixed in the Articles, (c) cancel any shares which, at the date of the adoption of such resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the cancelled shares, or (d) reduce its share capital in any manner.
- 4.3 *Rights of Ordinary Shares*  
 Each holder of Ordinary Shares may receive notices of General Meetings, attend the General Meeting and vote (in accordance with the procedure set forth below), participate, on a pro rata basis, in dividends, and participate, on a pro rata basis, in the distribution of the Company's assets upon liquidation or winding up, in accordance with the terms of the Articles, and examine and receive copies of any register, document, report, or account of the Company in accordance with the Companies Law.
- 4.4 *Rights of Ordinary A Shares*  
 In addition to the same rights as the holders of Ordinary Shares (unless stated otherwise in the Articles), holders of Ordinary A Shares are entitled to the following rights in the event of Liquidation or Deemed Liquidation:
- 4.4.1 If the Distributable Proceeds when distributed on a pro-rata basis amongst all Shareholders (i.e. holders of Ordinary A Shares and Ordinary Shares together) are not sufficient to ensure that each holder of Ordinary A Shares would receive an amount per such Ordinary A Share equal to or greater than the applicable Original Issue Price of such Ordinary A Share, then the Distributable Proceeds shall be distributed among the Shareholders according to the following:
- (i) if the Distributable Proceeds are equal to or less than the aggregate Original Issue Price of all issued Ordinary A Shares (the "Aggregate Original Issue Price") then: (a) 99.99% of the Distributable Proceeds will be distributed between the Ordinary A Shareholders on a pro-rata basis between them (the pro rata share of each holder of Ordinary A Shares shall be calculated as follows: the aggregate Original Issue Price paid for all Ordinary A Shares held by such Shareholder divided by the Aggregate Original Issue Price); and (b) an amount equal to 0.01% of the Distributable Proceeds will be distributed between the holders of Ordinary Shares on a pro-rata basis between them;
  - (ii) if the Distributable Proceeds are greater than the Aggregate Original Issue Price then:
    - a) if the amount received for an Ordinary A Share (a "Minimum Payment Ordinary A Share"), assuming that the Distributable Proceeds will be distributed on a pro-rata basis amongst all Shareholders (i.e. holders of Ordinary A Shares and Ordinary Shares together) and taking into account the distributions to be made in accordance with 9.1.1(ii)(b) below, would be equal to or less than the Original Issue Price of such Ordinary A Share, then such Minimum Payment Ordinary A Share shall receive an amount equal to 99.99% of the Original Issue Price of such share (the "Minimum Payment Amount"); and an amount equal 0.01% of the aggregate Minimum Payment Amounts paid to all Minimum Payment Ordinary A Shares will be distributed between the holders of Ordinary Shares on a pro-rata basis between them;

- b) after the distribution of Distributable Proceeds in accordance with 9.1.1(ii)(a) above, the remaining Distributable Proceeds shall be distributed pro rata amongst the remaining Ordinary A Shares (i.e. all Ordinary A Shares which are not Minimum Payment Ordinary A Shares) and the Ordinary Shares, based on their respective holdings of issued shares of the Company on a pari passu basis between them.

For the avoidance of doubt, when applying the above distribution procedure, no Ordinary A Share shall receive less than the Original Issue Price of such share.

- 4.4.2 If the Distributable Proceeds when distributed on a pro-rata basis amongst all Shareholders (i.e. holders of Ordinary A Shares and Ordinary Shares together) are sufficient to ensure that each holder of Ordinary A Shares would receive an amount per such Ordinary A Share equal to or greater than the applicable Original Issue Price of such Ordinary A Share, then the Distributable Proceeds shall be distributed amongst all Shareholders (i.e. holders of Ordinary A Shares and Ordinary Shares together), based on their respective holdings of issued shares of the Company on a pari passu basis.

#### 4.4.3 *Conversion*

All Ordinary A Shares shall be converted automatically into fully paid and nonassessable Ordinary Shares on a one-to-one basis (subject to adjustment for any Recapitalization Event) immediately upon the closing of an IPO.

#### 4.5 *Pre-emptive rights*

Prior to the allotment of New Securities, the Company shall grant to each "Qualified Shareholder" (i.e. a shareholder of the Company holding 4% or more of the issued outstanding share capital of the Company, on an as converted basis) a right of first offer to purchase such shareholder's pro rata share in the Company with respect to a total of 20% of any future sales by the Company of any shares of any New Securities. Each Qualified Shareholder shall be entitled to apportion the right of first offer to the Pre-emptive Securities to be purchased among its partners and affiliates.

If the purchase by a Qualified Shareholder is to become effective prior to, or concurrently with such offering of New Securities (rather than subsequent thereto) then such Qualified Shareholder shall be obligated to consummate the purchase only if the Company consummates the sale of the balance of the New Securities, pursuant to the terms described the Capital Rights Notice.

#### 4.6 *Bring along rights*

If the holders of at least 70% of the Company's issued and outstanding share capital ("Proposing Holders") shall (i) elect to sell all of their shares to a third party and (ii) such a sale is conditioned upon the sale of all the remaining shares of the Company, then all remaining shareholders are required, if so demanded by the Proposing shareholders, to sell all of their shares in the Company to such third party at the same price and upon the same terms and conditions.

#### 4.7 *Transfer of shares*

- 4.7.1 Each Qualified Shareholder shall have a right of first refusal with respect to any Transfer of all or any of the Shares of the Company by any shareholder (the "Transferor") to any person or entity, other than to a Permitted Transferee. If the acceptances by Qualified Shareholders for an Offer, in the aggregate, are in respect of all of, or more than, the Offered Securities, then the Accepting Qualified Shareholders shall acquire the Offered Securities, on the terms aforementioned, in proportion to their respective holdings of the Company's issued and outstanding share capital (calculated on an as-converted basis). If the acceptances by Qualified Shareholders for an Offer are in respect of less than the full number of Offered Securities, then the Transferor shall have the option, either (i) to Transfer to those Qualified Shareholders who accepted the offer, such quantity of the Offered Securities as specified in their acceptance notice and the remaining Offered Securities to the proposed transferee(s) identified in the Offer; or (ii) Transfer all (but not less than all) of the Offered Securities to the proposed transferee(s) identified in the Offer.

- 4.7.2 Notwithstanding the foregoing rights of first refusal, any transfer of shares in the Company shall be subject to the approval of the Board of Directors, which may in its sole reasonable discretion and to the extent that it deems necessary, refuse a transfer of shares.

#### 4.8 *General meetings*

- 4.8.1 An annual general meeting shall be held once every calendar year at such time (within not more than 15 months after the previous annual general meeting) and such place as the Board may determine.

- 4.8.2 The Board may convene an Extraordinary Meeting whenever it deems fit, at such time and place as may be determined by the Board, and shall be obliged to do so upon a request in writing in accordance with Section 63 of the Companies Law.
- 4.8.3 The Board shall determine the agenda of any General Meeting and shall also include the matters in respect of which the convening of the General Meeting was requested.
- 4.8.4 Save as otherwise provided in the Articles, the quorum for general meetings is two or more shareholders (unless the Company has only one shareholder), holding between them 50% present the voting power of the Company, in person or by proxy.
- 4.8.5 Except as otherwise provided in the Articles, a resolution at any General Meeting shall be adopted if it is approved by the holder(s) of a majority of shares held by the shareholder(s) present at the General Meeting whether personally or by proxy.
- 4.8.6 Any resolution in writing signed by all shareholders of the Company entitled to vote at General Meetings or to which all said shareholders have given their written consent, shall be deemed to have been unanimously adopted by a meeting duly convened and held.
- 4.9 *Voting rights*
  - 4.9.1 Subject to applicable law and the Articles, and until the consummation of an IPO (as defined in the Articles), any shares of the Company held by a Non-Qualified Shareholder shall be voted by a proxy pursuant to the directions of the Board of Directors, such proxy to be assigned to the person or persons designated from time to time by the Board of Directors.
  - 4.9.2 A shareholder shall not be entitled to vote at any General Meeting (or be counted as part of the quorum at the meeting) unless all calls or other sums then payable by him in respect of his shares in the Company have been paid.
  - 4.9.3 The instrument appointing a proxy shall be in writing, in accordance with the requirements as to the form and content set out in the Articles and shall be delivered to the Company not less than 24 hours before the time for holding the meeting. The chairman of the meeting shall be entitled to waive such requirement of deposit of 24 hours.
- 4.10 *The Board of Directors*
  - 4.10.1 *Minimum and maximum number*  
The minimum number of directors of the Company is three and the maximum number is nine.
  - 4.10.2 *Appointment and removal of Directors*
    - a) The directors shall be appointed (instead of elected). Any shareholder holding alone, or group of shareholders aggregately holding, 12% of the Company's outstanding share capital shall be entitled to appoint one director for any such 12% of the Company's outstanding share capital.
    - b) Notwithstanding the foregoing, the Initial Investors shall be entitled to appoint 1 director as long as they aggregately hold 5% or more of the Company's outstanding share capital, until the consummation of an IPO by the Company. The appointment of a director pursuant to the aforesaid shall only apply if the Initial Investors' aggregate holdings will be lower than 12% of the Company's outstanding share capital and in such case any appointment shall require the consent of all of the Initial Investors.
    - c) Notwithstanding the foregoing, CSSCM shall be entitled to appoint one director upon completion of the Placing, provided that CSSCM's right to appoint a director shall lapse if at least 50 % of the Placing has not been raised within 180 days of publication of the PPM. CSSCM's right to appoint a director under this subsection shall expire upon the consummation of a Deemed Liquidation Event by the Company.
    - d) Mr. Gal shall be entitled to appoint 1 non-voting observer as long as he holds 5% or more of the Company's outstanding share capital, until the consummation of an IPO by the Company.
    - e) The appointment or removal of a Director or an observer shall be effected by the delivery of a written notice to the Company.
    - f) The office of a director shall be vacated ipso facto if:
      - (i) the director dies or, if the director is a company, upon its winding-up,
      - (ii) the director is found lunatic or become of unsound mind by a legally authorized institution;
      - (iii) the director becomes bankrupt;
      - (iv) the director resigns his office by notice in writing;

- (v) the director is found guilty by a court of law of crimes according to Section 232 or 233 of the Companies Law.
- g) No person shall be disqualified to serve as a director by reason of his not holding shares in the Company or by reason of his having served as a director in the past.

#### 4.10.3 *Remuneration*

A director will not be paid remuneration by the Company unless otherwise decided by the General Meeting, but may be reimbursed for expense incurred in connection with his duties.

#### 4.10.4 *Proceedings of the Board*

- a) The Board may meet together, upon at least seven days prior notice, and adjourn their meetings and otherwise regulate their meetings and proceedings as they think fit. The Board may meet at shorter if agreed by all Directors to waive their right to such seven days prior notice.
- b) Save as otherwise provided in the Articles, a quorum shall be at least a majority of the directors then in office who are lawfully entitled to participate in the meeting or such other number of directors as may be determined from time to time by the shareholders in general meetings.
- c) Resolutions proposed at any meeting of the Board shall be deemed adopted if passed by a majority of the members of the Board present and voting at the meeting.
- d) A resolution in writing signed by all members of the Board or to which all members of the Board have agreed in writing, shall be deemed to have been unanimously adopted by a meeting of the Board duly convened and held.

#### 4.10.5 *Powers of the Board of Directors*

The management of the business of the Company shall be vested in the Board, and the Board may exercise all such powers and do all such acts and things as the Company is, by its Articles or under the Companies Law, authorized to exercise and do, and are not by the Articles or by statute directed or required to be exercised or done by the General Meeting.

#### 4.10.6 *General Manager*

The Board may, from time to time, appoint one or more General Manager(s) of the Company, who are responsible for the day-to-day management of the affairs of the Company within the framework of the policies set down by the Board and subject to their directions. The Board of Directors shall determine the remuneration of the General Manager(s) from time to time, subject to any contract between him and the Company.

The Board of Directors may from time to time entrust to and confer upon a General Manager such of the powers exercisable under the Articles by the Board as it may deem fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions, as it thinks expedient; and it may confer such powers, either collectively with, or to the exclusion of, and in substitution for, all or any of the powers of the Board of Directors in that behalf; and may from time to time revoke, withdraw, alter or vary all or any of such powers, all as the Board of Directors may, from time to time, deem fit.

#### 4.11 *Dividends and Reserve Fund*

Subject to the restrictions referred to in paragraph 4.4 above, and subject to the rights or shareholders with special rights as to dividends, and subject to the provisions referred to in the Articles, dividends shall be paid to the holders of issued, outstanding and fully paid-up shares proportionately, as the proportion of the number of their issued, outstanding and fully paid-up shares to the total number of issued, outstanding and fully paid-up shares in the Company as of the time of the payment of the dividend, on pro rata temporis basis.

#### 4.12 *Exemption, insurance and indemnity of Office Holders*

4.12.1 Subject to the Companies Law, the Company may indemnify an Office Holder as follows:

- a) a financial obligation imposed on him in favor of another person by a court judgment, including a compromise judgment or an arbitrator's award approved by court;
- b) reasonable litigation expenses, including attorneys' fees, expended by the Office Holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding;
- c) reasonable litigation expenses, including attorneys' fees, expended by an Office Holder or charged to the Office Holder by a court, in a proceeding instituted against the Office Holder



by the Company or on its behalf or by another person, or in a criminal charge from which the Office Holder was acquitted, or in a criminal proceeding in which the Office Holder was convicted of an offense that does not require proof of criminal intent.

4.12.2 Subject to the provisions of the Companies Law, the Company may enter into a contract for the insurance of all or part of the liability of any Office Holder in respect of each of the following:

- a) A breach of his duty of care to the Company or to another person;
- b) A breach of his duty of loyalty to the Company, provided that the Office Holder acted in good faith and had reasonable cause to assume that such act would not prejudice the interests of the Company; or
- c) A financial obligation imposed on him in favor of another person.

## 5. Substantial shareholders

Except for the interests of the Directors, which are set out in paragraph 6 of this Part 6, the following persons are at the date of this Document interested directly or indirectly in 3% or more of the issued share capital of the Company and their percentage holding following the Offer, assuming Subscription in Full, on the basis that they are not participating in the Offer, are:

<i>Name</i>	<i>Ordinary Shares and Ordinary A Shares</i>	<i>Percentage current share capital</i>	<i>Percentage post Offer share capital assuming Subscription in Full</i>
Israel Electric Company (via trustee)	69,880	7.4	5.83
Interlligent Ltd	172,000	18.21	14.36
Amir Gal	140,770	14.9	11.75
Menachem Gal	139,600	14.78	11.65
Netline Communication Technologies Ltd	119,090	12.61	9.94

Other than those persons set out above and the interests of the Directors set out in paragraph 6 below, the Directors are not aware of any person who, directly or indirectly, is interested in 3% or more of the issued share capital of the Company.

## 6. Directors' interests and other matters

6.1 Except as disclosed this Part, none of the Directors, nor any member of their respective immediate families, nor any person connected with them within the meaning of section 252 CA 2006, is interested in the share capital of the Company, or any financial product referenced to them.

<i>Name</i>	<i>At date of Document</i>	<i>Following the Offer</i>
Liron Frenkel	235,630	285,532
Meir Gellis	29,270	39,250
Gabriel Berditchevsky	138,550	148,530

6.2 Except as set out in this Part 6, there are no outstanding loans granted by the Company to any Director, nor has any guarantee been provided by the Company for their benefit.

6.3 The Company has entered into the following terms of engagement with the Directors:

6.3.1 Liron Frenkel's employment agreement, dated 30 December 2009, amended on 24 January 2011, pursuant to which Liron Frenkel is engaged in the position of Chief Executive Officer of the Company and shall receive a monthly salary of currently NIS 30,000 as well as an annual cash bonus and an annual issuance of options, both determined by the Board of Directors. Pursuant to a board resolution of 14 July 2015, Liron Frenkel was granted a bonus of 2% for purchase orders of sensor products and server services from Netafim Ltd., and a bonus of 5% for other purchase

orders, including software. The bonuses apply to purchase orders received from October 2015 until September 2016. In addition, certain contributions to the Further Education Fund and to the Managers' Insurance Policy in an amount of 7.5% and 15.83%, respectively, of the salary shall be paid directly to Liron Frenkel. The Company shall further provide a company vehicle or a fixed monthly sum of NIS 3,000. The agreement may be terminated by each party by three months prior written notice.

If Liron Frenkel is terminated other than for cause or because of a decision made by parties other than him, then he shall be entitled to an additional payment on termination equal to 6 months salary. The Company has agreed to increase Liron Frenkel's salary to NIS 37,000 per month, conditional on the First Closing taking place.

6.3.2 Meir Gellis: N/A

6.3.3 Gabriel Berditchevsky: N/A

- 6.4 The aggregate remuneration paid and benefits in kind granted by the Company to the Directors for the 12 month period prior to the date of this Document amounted to NIS 492,000.
- 6.5 Except as set out above, there are no liquidated damages or other compensation payable by the Company upon early termination of the Directors' contracts or in respect of any members of the administrative, management or supervisory bodies of the Company. Except as set out above, none of the Directors except the CEO have any commission or profit sharing arrangements with the Company.
- 6.6 Except as set forth above the total emoluments of the Directors will not be varied as a result of the Offer.
- 6.7 Except as disclosed in this paragraph, there are no existing or proposed service contracts between any of the Directors and the Company which are not terminable on less than 12 months' notice, nor have any service contracts been amended in the six months prior to the date of this Document.
- 6.8 In addition to their directorships of the Company, the Directors are or have been, members of the administrative, management or supervisory bodies or partners of the following companies or partnerships within the five years prior to the publication of this Document:

	<i>Current Directorships</i>	<i>Past</i>
<b>Liron Frenkel</b>	n/a	n/a
<b>Meir Gellis</b>	CEO of TestInsight Ltd. since 1999	n/a
<b>Gabriel Berditchevsky</b>	Consultora en proyectos de ingenieria civiles y de sistemas S. A. (Gisystems) Tal Engineering S. A. Gasit S. A. Fleetech S. A. Plades S. A.	n/a

- 6.9 Other than as disclosed above, within the past five years, no Director has:
- 6.9.1 any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;
- 6.9.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- 6.9.3 been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to be so acting;
- 6.9.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
- 6.9.5 been subject to the receivership of any asset of such director or of a partnership of which the director was a partner at the time of or within 12 months preceding such event; or

- 6.9.6 been subject to any official public criticisms and/or sanctions by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.
- 6.10 Other than as set out in this Document, no Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.
- 6.11 In the case of those Directors who have roles as directors of companies, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Company. Except as mentioned above, there are no potential conflicts of interest between the duties owed by the Directors to the Company and their private interests and/or duties to third parties.
- 6.12 Except for the Directors, the Board does not believe that there are any other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.

## 7. Options

### 7.1 2011 Share Option Plan

The Company adopted a share plan on 15 May 2011 (the "2011 Share Option Plan"), a summary of which is set out below. As at the date of this document the following options have been granted thereunder:

<i>Option Holder</i>	<i>Option Shares</i>
Liron Frenkel	143,300
Shay Frenkel	122,020
Haleli Barath	2,630
Ziv Erez	1,370
Boaz Nakash	40,760
Interlligent Ltd	117,070
Menachem Gal	24,310
Gabriel Berditchevsky	6,060
Issac Siton	46,390
Meir Gellis	17,720
Incooperated company for the near east of Israel Ltd	1,250
Pinhas Rutenberg	610
Netline Communication Technologies Ltd	29,140
<b>Total</b>	<b>552,630</b>

The Company has reserved an additional 130,180 Ordinary Shares (equal to 8% of the issued share capital prior to the Offer) which may be granted to employees, consultants, directors and officers of the Company under the 2011 Share Option Plan. The Board has granted 16,270 of these options to Netline Communication Technologies Ltd. (these are in addition to the options listed in the table above).

#### 7.1.1 Designation of options

##### "102 Options"

The Company may designate options granted to employees of the Company and its affiliates under the 2011 Share Option Plan as either "Unapproved 102 Options" or "Approved 102 Options", pursuant to section 102 of the Israeli Income Tax Ordinance (New Version) 1961 (the "Ordinance"). The grant of Approved 102 Options made under the 2011 Share Option Plan shall be conditional upon the approval of the 2011 Share Option Plan by the Israeli Tax Authorities (the "ITA"). Approved 102 Options may either be classified as 102 capital gain options, which shall qualify for the capital gain tax treatment in accordance with section 102(b)(2) of the Ordinance, or

102 ordinary income options, which shall qualify for the income tax treatment in accordance with section 102(b)(1) of the Ordinance. All Approved 102 Options must be deposited with a trustee. The trustee shall hold the Approved 102 Options, together with any shares received subsequently following exercise of 102 Options and other shares received subsequently following any realization of rights, including bonus shares, on trust for the benefit of the optionee, for such period of time as required by section 102 of the Ordinance. In the case the requirements for Approved 102 Options are not met, then the Approved 102 Options shall be treated as Unapproved 102 Options, all in accordance with the provisions of Section 102 of the Ordinance. Notwithstanding anything to the contrary, the trustee shall not release any shares allocated or issued upon exercise of Approved 102 Options until the full payment of the optionee's tax liabilities arising in respect thereof.

*"3(i) Options"*

All grants of options to consultants, advisers, service providers, controlling shareholders and any relative thereof, or any other person who is not an employee of the Company and its subsidiaries are to be made only pursuant to the provisions of Section 3(i) of the Ordinance and other applicable rules and regulations.

7.1.2 *Designation of participants*

The persons eligible for participation in the 2011 Share Option Plan as optionees shall include employees or service providers of the Company; provided, however, that (i) employees may only be granted 102 Options; (ii) non-employees may only be granted 3(i) Options; and (iii) controlling shareholders may only be granted 3(i) Options. The grant of an option under the 2011 Share Option Plan shall neither entitle the optionee to participate nor disqualify the optionees from participating in, any other grant of options pursuant to the 2011 Share Option Plan or any other option or share plan of the Company or any of its affiliates.

7.1.3 *Administration*

The 2011 Share Option Plan shall be administered by the Board or any of its committees, subject to applicable law and the Company's incorporation documents. The Board shall have the full power and authority to: (i) designate optionees; (ii) determine the terms and provisions of the respective option agreements, including, but not limited to, the number of shares to be covered by each option, provisions concerning the time or times and the extent to which the options may be exercised and the nature and duration of restrictions as to the transferability or restrictions constituting substantial risk of forfeiture; (iv) to determine the fair market value of the shares (subject to any applicable law); (v) designate the type of options to be granted; and (vi) determine any other matter which is necessary or desirable for, or incidental to, the administration of the Plan.

The Board may grant, at its discretion, to the holder of an outstanding option, in exchange for the surrender and cancellation of such option, a new option having an exercise price equal to, lower than or higher than the exercise price of the original option, and containing such other terms and conditions as the Board may prescribe in accordance with the provisions of the 2011 Share Option Plan.

7.1.4 *Option agreements*

Each option granted pursuant to the 2011 Share Option Plan, shall be evidenced by a written option agreement between the Company and the optionee, in such form as the Board shall from time to time approve. Each option agreement shall state, among other matters, the number and type of shares to which the option may be exercised for, the vesting dates, the exercise price per share, and the expiration date.

7.1.5 *Termination*

Options, to the extent not previously exercised, shall terminate upon the earlier of: (i) the lapse of ten (10) years from the date of grant; (ii) the lapse of three (3) months of the date of termination of employment or service with the Company except in the case of termination for cause (as such term is defined in the 2011 Share Option Plan), (iii) the lapse of twelve (12) months as of the date of termination of employment or service as a result of death or disability of the optionee; or (iv) any extension authorized by the Board, at its sole and absolute discretion. The optionee shall be entitled to exercise the options prior to such expiration date in whole at any time or in part from time to time, to the extent that the options have become vested and exercisable.

#### 7.1.6 *Transferability*

No option shall be assignable, transferable or given as collateral or any other right with respect to it given to any third party, whatsoever except by will or by the laws of descent and distribution. An option may be exercised during the lifetime of the optionee only by the optionee. In addition, as long as options and/or ordinary shares are held by the trustee on behalf of the optionee, all rights of the optionee over the ordinary shares are personal and cannot be transferred, assigned, pledged or mortgaged, other than by will or pursuant to the laws of descent and distribution.

#### 7.1.7 *Exercise price*

The exercise price per ordinary share subject to each option is determined by the Board from time to time. Each option agreement will specify the exercise price determined for the options covered therein.

#### 7.1.8 *Term and vesting of options*

Subject to the provisions of the 2011 Share Option Plan, options shall vest following the vesting schedule as set forth in the option agreement. An option may be subject to such other terms and conditions on the time or times when it may be exercised, as the administrator may deem appropriate. The vesting provisions of individual options may vary.

#### 7.1.9 *Adjustments*

Upon the occurrence of any of the following described events, optionee's rights to purchase shares under the 2011 Share Option Plan shall be adjusted as hereafter provided:

In the event of a Change of Control (as such term is defined in the 2011 Share Option Plan), the administrator shall endeavor to cause the assumption of any unexercised portion of each outstanding option for an equivalent option or right substituted by the corporate entity into which the Company is merged to or by which the Company is acquired (the "Successor Company") and appropriate adjustments shall be made to reflect such action, including adjustments to the exercise price per each share. If the consideration received in the Change in Control does not consist solely of ordinary shares (or their equivalent) of the Successor Company, the administrator may, with the consent of the Successor Company, provide for the per share consideration to be received upon the exercise of the option to be solely ordinary shares (or their equivalent) of the Successor Company equal in fair market value to the per share consideration received by holders of a majority of the outstanding shares in the Change in Control, as determined by the administrator.

If in the event of a Change of Control, the Successor Company does not agree to assume or substitute the options, the administrator may, in its discretion, either (a) provide for the exercise of the vested Options under such terms and conditions as the Administrator shall determine and the cancellation of all unvested Options; (b) provide for the exercise of the Options (both vested and unvested), under such terms and conditions as the Administrator shall determine; or (c) Provide for the cancellation of each outstanding option at the closing of such Change in Control, against payment to the optionee of an amount in cash equal to (i) the fair market value of each share covered by the vested option as reflected under the terms of the Change in Control, minus (ii) the exercise price of each share covered by the vested option.

If the Company enters into voluntarily liquidation or is dissolved while unexercised options remain outstanding under the 2011 Share Option Plan, the Company shall notify all unexercised optionees of such liquidation, and the optionees shall have ten (10) days to exercise any unexercised vested options held by them at that time. Upon the expiration of such ten-day period, all remaining outstanding options will terminate immediately.

#### 7.1.10 *Tax*

Any tax consequences arising from the grant or exercise of any option, from the payment for shares covered thereby or from any other event or act (of the Company and/or its affiliates or the optionee), hereunder, shall be borne solely by the optionee.

### 8. **Material contracts**

The following contracts not being contracts entered into in the ordinary course of business are the material contracts to which the Company is a party, in force during the two years immediately preceding the date of this document.

8.1 A cooperation agreement between the Company, Mr. Chenxi Wang (representing Global Science and



Technology Ltd., a Chinese company that has co-signed the agreement), and Mr. Hongyi Zhao, dated 16 June 2016, under which the cooperation between the parties is split into two stages: during stage 1, Mr. Chenxi Wang and Mr. Hongyi Zhao shall incorporate a joint venture under the name Tsingda Smart Science & Technology Ltd., Beijing (the "JV"), which JV shall be solely the responsibility of Mr. Wang and Mr. Zhao. The JV is not a direct party to the cooperation agreement.

Stage 1 consists of two phases. Pursuant to information from the Company, the cooperation is about to enter into phase 2 of stage 1, subject to approval of the Chief Scientist. During phase 1 of stage 1, the JV shall first purchase the products from the Company, and the Company shall grant the JV the exclusive right to sell all existing products of the Company in the power utility market under certain terms, in China only. Sale of the MS3000 product shall be limited to power utilities and power department of other utilities. During phase 2 of stage 1, the Company shall grant the JV the exclusive right to manufacture the MS5000 products and sell it in China, with certain parts to be supplied by the Company. Such exclusive manufacturing right shall be subject to, among others, the JV reaching certain minimum quantities of sales with regard to the MS5000 product. The JV may not sell the products, directly or indirectly, outside of China. The Company is entitled to royalties from the sale of products and services relating to the products, which royalties shall be calculated as follows: For the first 20,000 sets of the MS5000 product, the Company shall receive \$85 per set, and for each following 20,000 sets sold the royalties are to be reduced by 30% compared to the previous 20,000 sets. The Company shall receive 10% of the revenue from sold services. The JV will perform product acceptance tests in accordance with the specifications listed in the agreement in order to meet the technical standard for Chinese power utilities, under participation of a Company representative. If the product does not meet the specifications after repeated tests, Mr. Wang and Mr. Zhao may terminate the agreement for cause.

Within four years following the manufacturing starting date, the JV may, in its sole discretion, move the cooperation to stage 2.

During stage 2, the Company shall sell to the JV the exclusive right to manufacture the MS5000 in China, and shall provide the JV the information related to the MS5000 product, including the entire technology and know-how related to the MS5000 product, the source code, manufacturing procedure and description, for a one-time down-payment. The JV's right to use this information is limited to China. The Company shall provide technical support regarding the MS5000 product in consideration for a fee. The Company's intellectual property shall remain in the Company's ownership, but the JV may further develop the product during stage 2. The Company is entitled to purchase products manufactured by the JV under most favourable terms (including lead time and delivery terms) that are offered by the JV to any other customer.

In the event that the JV undergoes an IPO, M&A or receives investments that amount to at least \$5 Million in the aggregate, the JV shall pay to the Company a bonus payment of \$1 Million.

The cooperation agreement may only be terminated upon mutual agreement or in case of a material breach, which includes the JV's failure to meet minimum sale quantities for two years, a sale by the JV outside of China, or the failure of the MS5000 product to achieve the required specifications for the product acceptance tests. In case of termination without cause, the terminating party shall pay a compensation of \$4 Million to the other party/parties.

- 8.2 A Development Agreement between the Company and Netafim Ltd., entered into around 31 May 2011 (the agreement has not been executed but is in force between the parties), pursuant to which the Company shall develop an operating system for sensor readings for Netafim. In a first step, the Company shall develop a prototype system. After acceptance of the prototype system, the Company shall manufacture and deliver a field trial system. For each prototype system, the Company shall receive \$1,000 per unit, and \$300 for each unit comprising the field trial. The Company grants to Netafim a perpetual, worldwide, royalty-free exclusive license to distribute, sell, market, and use the system purchased thereunder in the field of agricultural crop management, and a perpetual, worldwide, royalty-free, non-exclusive license to use the systems in any other field. The Company is responsible to maintain insurance policies under the agreement. Either party may terminate the agreement for cause or for convenience; in case of termination for convenience by Netafim or for cause by the Company, Netafim shall reimburse the Company for development costs.
- 8.3 A convertible loan agreement between the Company and Israel Electric Corporation ("IEC"), dated 25 January 2011, pursuant to which the Company shall pay to IEC royalties of two and a half percent (2.5%) of (i) the total net sales in connection with the Company's products which are developed to sense contami-



nated isolators in electrical grids which are currently existing or developed in the future; and (ii) the services revenues received, until (a) the total amount of royalties paid amounts to NIS 9,000,000, (b) the tenth anniversary of the first commercial sale of a product, or (c) until the full repayment of the loan amount in the event that the Company has not achieved a certain milestone, which would have triggered a payment obligation, and IEC has advanced less than NIS 500,000 in previous transfers.

IEC is further entitled to purchase the Company's products, licenses and services, for its own use only, at prices which are at the lowest rate then offered or provided by the Company to any other of its customers for the same products, licenses or services agrees for a period of ten years, commencing with the first commercial sale of any of its products.

- 8.4 A reseller agreement between the Company and Altex Technology Ltd. ("Altex") dated 25 June 2013, pursuant to which Altex has the non-exclusive right to distribute the Company's MS4000 products in Russia and CIS. After a particular customer is approved by the Company and the first sale is performed within 24 months after such approval, the customer shall be Altex' exclusive account. Altex may not distribute the products outside of the contractual territory. The Company shall charge prices in accordance with its list prices, subject to certain discounts. The Company may change its list prices with respect to Altex only after one year after the execution of each order, upon prior written notice. The agreement shall be in force for an initial term of 12 months and shall then automatically renew for up to two 12 months terms.
- 8.5 A reseller agreement between the Company and Optec Limited dated 1 January 2015, pursuant to which Optec Limited has the exclusive right to distribute the Company's MS4000 products in the Republic of Ghana. Optec Limited may not distribute the products outside of the contractual territory. The Company shall charge prices in accordance with its list prices, subject to certain discounts. The Company may change its list prices with respect to Optec Limited only after one year after the execution of each order, upon prior written notice. The agreement shall be in force for an initial term of 12 months and shall then automatically renew for up to two 12 months terms.
- 8.6 Grant Letters by Innovation Authority: The Company has received four grants from the Israeli Innovation Authority ("IIA"): (1) A grant dated 23 January 2012 (case file 46450), over an amount of up to NIS 699,491; (2) a grant dated 3 March 2013 (case file 48882) over an amount of up to NIS 1,003,997; (3) a grant dated 1 September, 2013 (case file 51283) over an amount of up to NIS 1,307,620; and (4) a grant dated 1 October 2014 (case file 54036) over an amount of up to NIS 691,070. All of the grants are subject to Israel's Encouragement of Research and Development Law, 1984 (the "Research and Development Law") as well as the terms and conditions set out in the individual grant letters. The Research and Development Law places strict restrictions on the transfer of know-how and/or production rights with respect to technology funded by the IIA outside of Israel. Any such transfers are subject to the prior approval of the IIA's research committee. Under the Research and Development Law the Company is required to pay royalties to the IIA from the sale of products based on technology funded by the IIA.
- 8.7 Engagement Letter with Charles Street Securities Europe LLP ("CSS Agreement"): On 18 January 2018, the Company and CSS entered into the CSS Agreement, whereby CSS was appointed as financial advisor of the Company in respect of the Offer. CCS and its affiliate CSS Partners LLP were appointed as Metrycom's non-exclusive placement agent in connection with the Offer.

Under the CSS Agreement, CSS will be entitled to the following fees:

- A corporate finance fee of £60,000 plus VAT for financial advice and preparation of the PPM in connection with the Offer, payable from the first proceeds of the Offer.
- A sales commission of 10% of funds raised by CSS from its placing of the Ordinary A Shares in respect of each subscription of £100,000 and below, or 8% sales commission on each subscription of over £100,000.
- The Company will reimburse CSS for all reasonable investor marketing, direct mailing costs and investor relations costs incurred in connection with this financing. Such expenses shall be invoiced separately at such time as the first closing of £250,000 is achieved (the "First Closing"), and thereafter, while the Offer is in process, on a monthly basis. The expenses shall not exceed 10% of funds raised by CSS for each subscriber of £100,000 and below, and shall not be chargeable on any individual subscriber of over £100,000.
- In consideration for the investment monitoring services (as outlined in the agreement), the Company will issue to CSSCM, at and subject to the publication of the PPM, 41,259 Ordinary A Shares, to

amount to 2.2% of the post money valuation of the Company. Should the First Closing not be achieved within 90 days of the publication of the PPM, other than as a result of the Company's breach of the engagement letter or as a result of the Company's failure to cooperate in good faith with the preparation of the PPM, the Company shall be entitled to terminate the agreement, and shall also be entitled to repurchase the shares issued pursuant to the foregoing, at the value effectively paid for those shares.

- The Company will reimburse CSS against submission of appropriate receipts, all reasonable out of pocket expenses, including legal fees incurred by CSS in connection with the financial advisory work written approval of the Company.
- An ongoing financial adviser fee of £2,500 per quarter.
- In the event the Company obtains financing from any investor, sourced by CSS, who has invested in the Company pursuant to this Offer, and who makes an additional investment within two years of the completion of the Offer, the Company shall pay to CSS additional fees in the amount of 10% of funds raised by Company from such additional investment of £100,000 and below, or 8% of funds raised of over £100,000, all unless the Company is listed on the AIM or any other recognized stock exchange.
- In the event the Company enters into a corporate transaction with a third party for the sale, of all or part of its equity or of a substantial part of its assets, the Company shall retain CSS as a financial adviser and shall pay CSS a fee of 2% of the aggregate value of such a transaction or 5% if CSS initiates such transaction and advised and assisted the Company in facilitating such transaction, all unless the Company is listed on the AIM or any other recognized stock exchange or until such time as the Company has achieved a commercial exit. The fee obligation herein shall be cancelled if CSS has not placed at least 50% of the Offer within 90 days of the publication of the PPM.

Under the engagement letter, CSSCM further has the right to appoint one non-executive director to the Company's Board of Directors upon the completion of the Offer.

- 8.8. Finder's Fee Agreement between the Company and A.N.A.B. Investments Ltd. (the "Finder"), pursuant to which the Company agreed to pay the Finder a commission equal to 5% of the investment amount received by the Company in a Qualified Transaction, defined as a transaction with an investor introduced by the Finder to the Company who has been pre-approved by the Company. The Finder shall be entitled to receive an additional commission equal to 1.5% of the investment amount received by the Company in such Qualified Transaction, which shall be payable, at the Company's discretion, in either cash or Ordinary Shares (valued at the same value as set in such Qualified Transaction). The Finder shall be entitled to receive the commissions described above from the subscription monies received by the Company in connection with the Offer. The Company has not yet determined whether to pay the 1.5% commission in cash or in shares and as such the share capital of the Company subsequent to the Offer as set out on page 6 of this Document does not include such shares.

## 9. Summary of Israeli corporate law

The following is a summary of certain provisions of Israeli corporate law relevant to the Company's management and corporate regulations. It should not be regarded as comprehensive.

### 9.1 *Fiduciary Duties of Office Holders*

- 9.1.1 The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would act under the same circumstances.
- 9.1.2 The duty of care of an office holder includes a duty to use reasonable means to obtain:
- information on the advisability of a given action brought for his or her approval or performed by him by virtue of his position; and
  - all other important information pertaining to these actions.
- 9.1.3 The duty of loyalty of an office holder generally requires an office holder to act in good faith and for the benefit of the company. It includes a duty to:
- refrain from any conflict of interest between the performance of his duties in the company and the performance of his other duties or his personal affairs;
  - refrain from any activity that is competitive with the company;
  - refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and

- reveal to the company any information or documents relating to a company's affairs which the office holder has received due to his position as an office holder.
- 9.1.4 The level of care required of an office holder is greater than that required of a "reasonable person". The office holder is required to perform his duties with a high level of professionalism, he needs to be familiar with the business activities of the company, he should be present at meetings of the board of directors and under certain circumstances demand the convening of board meetings, and he should be familiar with the company's financial situation.
- 9.1.5 Under the Companies Law, the approval of the board of directors is required for all compensation arrangements of office holders who are not directors. However, the articles of association of a company may provide an alternative method of approval.
- 9.1.6 Under the Companies Law, a director must exercise independent discretion in voting at board meetings and cannot be a party to a voting agreement with other board members.
- 9.1.7 The Companies Law requires that an office holder of a company discloses to the company promptly and in any event no later than the meeting of the board of directors meeting at which the transaction is first discussed, any personal interest that he may have and all related material information known to him, in connection with any existing or proposed transaction by the company. A personal interest of an office holder includes an interest of another company where he holds a direct or indirect interest of 5% or more in that company or where he was a director or general manager of the company or where he had the right to appoint at least one director or the general manager of the company. In the case of an extraordinary transaction, the office holder's duty to disclose applies also to a personal interest of the office holder's relative, defined in the Companies Law as the person's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing.
- 9.1.8 Under the Companies Law, an extraordinary transaction is a transaction:
- 9.1.8.1 other than in the ordinary course of business;
  - 9.1.8.2 otherwise than on market terms; or
  - 9.1.8.3 that is likely to have a material impact on the company's profitability, assets or liabilities.
- 9.1.9 Under the Companies Law, once an office holder complies with the above disclosure requirements, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest unless the transaction is an extraordinary transaction or the articles of association provide otherwise. A transaction that is contrary to the company's interests may not be approved.
- 9.1.10 If the transaction is an extraordinary transaction or it concerns exculpation, indemnification or insurance of an office holder then, in addition to any approval stipulated by the articles of association, the approval of both the audit committee and the board of directors is required. In specific circumstances, shareholder approval may also be required. A director who has a personal interest in an extraordinary transaction which is considered at a meeting of the board of directors or the audit committee generally may not be present at this meeting or vote on this matter, unless a majority of members of the board of directors or the audit committee, as the case may be, has a personal interest. If a majority of the members of the board of directors has a personal interest, shareholder approval is also required.
- 9.2 *Duties of shareholders*
- 9.2.1 Under the Companies Law, each shareholder has a duty to act in good faith and in a customary manner in exercising his rights and fulfilling his obligations towards the company and other shareholders and to refrain from abusing his power in the company, such as in shareholder votes on the following matters: (i) any alteration of the articles; (ii) an increase of the company's registered share capital; (iii) a merger; or (iv) approval of certain actions and transactions that require shareholder approval. Each shareholder also has the general duty to refrain from depriving other shareholders of their rights.
- 9.2.2 In addition, specified shareholders have a duty of fairness towards the company. These shareholders include any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote in a general meeting or in a class meeting and any shareholder who, pursuant to the provisions of the articles of association, has the power to appoint or to prevent the appointment of an office holder or any other power with respect to the company. The Companies Law, however, does not define the substance of this duty of fairness and the breach of such duty is governed by Israeli contract law.

### 9.3 *Dividends and distribution*

- 9.3.1 The Companies Law provides that distributions may be paid out of a company's profits, provided that there is no reasonable concern that the distribution will prevent the company from meeting its existing and foreseeable obligations as they become due. "Profits" for this purpose is defined as the greater of a company's surplus balance and surplus that accumulated for the two previous years.
- 9.3.2 If a company does not have sufficient profits, then permission to effect a distribution can be granted by order of an Israeli court. Prior to granting such an order, the company is required to give notice of the proposed distribution to its creditors, who are entitled to file objections with the court. In any event, a distribution is permitted only if there is no reasonable concern that the distribution will prevent the company from satisfying its existing and foreseeable obligations as they become due.
- 9.3.3 A repurchase by a company of its own shares is generally also considered as a distribution.

### 9.4 *Exculpation, Insurance and Indemnification of Office Holders*

- 9.4.1 The Companies Law allows a company to provide for exculpation or indemnification of, or insurance coverage for, its office holders, as detailed below, provided that:
  - (i) the articles of association permit the company to do so; and
  - (ii) it has been approved by the company's audit committee and board of directors and, if the beneficiary is a director, also by the general meeting subject to certain terms specified below.
- 9.4.2 A company may not exempt an office holder from: (i) liability with respect to a breach of his duty of loyalty (but may exempt in advance an office holder from his liability to the company, in whole or in part, with respect to a breach of his duty of care); and (ii) liability with respect to his duty of care with respect to the distribution of dividends.
- 9.4.3 A company may enter into a contract for the insurance of the liability of any of its office holders with respect to an act performed in his capacity of an office holder for: (i) a breach of his duty of care to the company or to another person; (ii) a breach of his duty of loyalty to the company, provided that the office holder acted in good faith and had reasonable cause to assume that his act would not prejudice the company's interests; and (iii) a monetary liability imposed upon him in favour of another person in the performance of his duties as an office holder.
- 9.4.4 A company may indemnify an office holder with respect to an act performed in his capacity as an office holder against certain liabilities.
- 9.4.5 A company may also grant in advance, as long as such is permitted by that company's articles of association, an undertaking to indemnify an office holder, provided that in respect of a monetary liability incurred pursuant to a judgement as mentioned above, the undertaking is limited to types of events which the board of directors deems to be foreseeable at the time of the undertaking and is limited to an amount determined by the board of directors to be reasonable under the circumstances.
- 9.4.6 Companies Law provides that a company may not exculpate or indemnify an office holder nor enter into an insurance contract which would provide coverage for any monetary liability incurred as a result of any of the following: (i) a breach by the office holder of his duty of loyalty, unless, with respect to indemnification and insurance coverage, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company; (ii) a breach by the office holder of his duty of care if the breach was done intentionally or recklessly unless such breach was negligent only; (iii) any act or omission done with the intent to derive an unlawful personal benefit; or (iv) any fine or forfeit levied against the office holder.

## 10. **Working capital**

Taking into account the net proceeds of the Offer assuming it raises over the First Closing Amount, the Company and the Directors are of the opinion that the Company has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this Document.

## 11. **Litigation**

The Company is not involved in any governmental, legal or arbitration proceedings which have or, in the 12 months preceding the date of this Document, may have had, a significant effect on the Company's financial position or profitability nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the Company.

**12. Intellectual property**

The Company uses patents and confidential information in carrying on its business and licenses of intellectual property required for its business from time to time.

The Company has registered the following patent: US patent 9,244,114 relating to system and method for assessing faulty power-line insulator strings.

**13. Employees**

As at the date of this document the number of employees of the Company is 10. In addition, the Company engages 2 individuals on a full time consultancy basis.

**14. Other information**

- 14.1 The Company's accounting reference date is 31 December.
- 14.2 Except for the business and financial activity disclosed in this Document, no exceptional factors have influenced the Company's activities.
- 14.3 Except as disclosed in this Document, there has been no significant or material change in the financial or trading position of the Company since 31 December 2017, the date to which the unaudited accounts as set out in Part 7 of this Document is made up.
- 14.4 There have been no significant authorised or contracted capital commitments at the date of publication of this Document.
- 14.5 Charles Street Securities, Europe LLP has given and not withdrawn its written consent to the issue of this Document with references to their name in the form and context in which they appear.
- 14.6 Shlomi Elias has given and not withdrawn its written consent to the issue of this Document with references to their name in the form and context in which they appear.
- 14.7 Parisi Tax LLP has given and not withdrawn its written consent to the issue of this Document with references to their name in the form and context in which they appear.
- 14.8 The subscription list for the Offer will open at. on 19 March 2018 and may be closed any time thereafter but not later than 21 May 2018 unless extended by the Directors.
- 14.9 The financial information relating to the Company contained in this Document does not comprise statutory accounts for the purposes of section 434 of CA 2006.
- 14.10 The Offer Shares will be issued and allotted under the laws of England and Wales and their currency will be pounds Sterling.

**15. Documents available for inspection**

- 15.1 Copies of the following documents will be available for inspection during normal business hours on any weekdays, Saturdays and public holidays excepted, at the offices of Charles Street Securities, Europe LLP at 1 Wilton Crescent, London SW1X 8RN for a period of one month from the date of this Document:
  - 15.1.1 the articles of association of the Company;
  - 15.1.2 the agreements referred to in paragraph 6.3 of this Part 6;
  - 15.2.3 the material contracts referred to in paragraph 8 of this Part 6.

*Dated: 19 March 2018*

## PART 7

**UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DEC 2017**

*Metrycom Communications Ltd*  
**PROFIT & LOSS STATEMENT (\$)**  
*Unaudited for the years ended 31 December*

	2017	2016
Sales	1,455,222	588,332
Grants received from Israeli Innovation Authority	–	25,485
<b>Total Sales &amp; Income</b>	<b>1,455,222</b>	<b>613,817</b>
Cost of goods sold	446,361	162,900
<b>Gross profit</b>	<b>1,008,861</b>	<b>450,918</b>
Research & development expenses net	541,820	386,064
General and administrative	142,092	191,675
	<b>683,912</b>	<b>577,739</b>
<b>Profit/Loss from operation</b>	<b>324,949</b>	<b>-126,821</b>
Financial expenses	5,180	4,383
<b>Profit/Loss after financial expenses</b>	<b>319,769</b>	<b>-131,204</b>

*The figures are in NIS converted to dollars according to average rate of 3.8406 for 2016 and average rate of 3.5998 for 2017.*



*Mettrycom Communications Ltd*  
**BALANCE SHEET (\$)**  
*Unaudited for the years ended 31 December*

	2017	2016
<b>CURRENT ASSETS</b>		
Cash in banks and Cashiers	67,226	82,842
Checks for collection	–	–
Clients	292,602.37	–
Other debtors	–	8,647
Revenue receivable from Chief Scientist	359,829	91,490
<b>Net fixed assets</b>	18,650	13,704
	<b>378,478</b>	<b>105,193</b>
<b>CURRENT LIABILITIES</b>		
Advances from customers	7,183.45	176,964
Suppliers	29,184	64,276
Liabilities of related parties	–	–
Different creditors	347,653	80,358.02
	384,020	321,597
<b>Long-term liabilities</b>	–	107,280.63
<b>(CAPITAL DEFICIT) CAPITAL AND SURPLUSES</b>		
Share capital	393	368
Receipts on account of shares	–	–
Allotment of shares	–	–
Share premium	3,369,380	3,158,125
Accumulated deficit	<b>-3,375,314</b>	<b>-3,482,178</b>
	-5,542	-323,685
	<b>378,478</b>	<b>105,193</b>

*The figures are in NIS converted to dollars according to average rate of 3.8406 for 2016 and average rate of 3.5998 for 2017.*

## PART 8

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### SUMMARY OF UNITED KINGDOM TAXATION FOR UK INVESTORS

#### Introduction

The information in this section is based on the Directors' understanding of current UK tax law and HM Revenue & Customs' practice as at the date of this Document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares in the Company as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional advisor regarding their own tax position and the consequences of making an investment in the Company. Tax treatment depends on the circumstances of each investor.

#### Relief under the Enterprise Investment Scheme ("EIS")

It is anticipated that individual subscribers for Ordinary Shares in the Company should, depending on their individual circumstances, be able to obtain tax relief under the EIS, subject to the limitations referred to in this Document.

The following is a summary only of the main provisions of the EIS. It does not set out the relevant provisions in full and does not constitute, or purport to offer taxation advice. Investors are strongly advised to seek independent professional advice as to the tax relief that their particular investment may attract and the tax consequences of selling or otherwise disposing of their Ordinary Shares.

#### *The EIS reliefs*

Income tax relief, capital gains tax exemption and capital gains tax deferral relief together comprise the suite of tax reliefs available under the EIS legislation.

The reliefs can only be claimed by an individual, or, for capital gains tax deferral relief, certain trustees, who subscribe for new shares ("the Relevant Shares") in the issuing company in circumstances where the investor is a "Qualifying Investor" and the issuing company a "Qualifying Company" with respect to the Relevant Shares. In addition certain specified conditions ("the General Requirements") of the EIS must be met with respect to the Relevant Shares.

An investor is a Qualifying Investor provided he or she is not "connected" with the Company, which very broadly describes an employee, partner, or paid director of the Company or any individual who (when taken together with any of their "associates") possesses or is entitled to acquire more than 30% of the share capital or voting power in the Company.

The Company is considered to meet or, as relevant, is considered capable of meeting, the requirements of a Qualifying Company and the General Requirements of the EIS with respect to the Ordinary Shares which are the subject of the Offer. However, the EIS legislation is complex, and the Company cannot undertake that the Ordinary Shares will qualify for relief or, on the assumption relief is obtained, continue to qualify for relief in future, although there is no present intention to take any action which would result in relief being withdrawn.

An investor cannot claim income tax relief in respect of any amount subscribed in excess of £1,000,000 in any tax year (this limit applying to the aggregate of all Relevant Shares and not to each share issue). Capital gains tax deferral may be claimed without limit.

#### a) *Income tax relief*

Individuals who are Qualifying Investors can credit an amount equal to 30% of the amount subscribed for Relevant Shares (up to the £1,000,000 limit referred to above) against their total liability to income tax for the tax year in which the shares are issued. The relief is available against a UK income tax liability irrespective of whether or not the investor is resident in the UK. Where income is insufficient to obtain relief at 30%, relief will be given to the extent it reduces the income tax liability to nil.

Example	£
Gross investment in Ordinary shares	100,000
Less: income tax relief at 30%	(30,000)
Net cost of investment	70,000

Individuals who subscribe for Relevant Shares in a Qualifying Company can elect to treat any number of shares up to the full number issued to them as if the shares had been issued in the previous year, and claim relief accordingly, subject to a maximum carry back amount of £1,000,000.

Income tax relief is lost/withdrawn if the Relevant Shares are held by the investor for less than three years.

b) *Capital gains tax exemption relief*

To the extent EIS income tax relief is available and is not or, is not liable to be, withdrawn, any capital gain accruing to the original investor on the disposal of the Relevant Shares is exempt from capital gains tax. This therefore requires that the shares have been held for at least three years.

Example	£
Realised value of shares after 3 years, say	250,000
Less: original gross investment	(100,000)
Tax Free Gain	150,000

c) *Capital gains tax deferral relief*

The liability to capital gains tax arising on the disposal of any asset may be deferred by investing the gain in shares that are eligible for EIS relief. The investment must be made within the period beginning one year before and ending three years after the event which gives rise to the gain being deferred.

Although there is a limit of £1,000,000 for income tax relief and for investments in shares to which capital gains tax relief applies (see (a) and (b) above) there is no limit on the amount of gains that can be deferred in to EIS eligible shares.

Example	£
Gross investment	100,000
Less income tax relief (30% of £100,000)	(30,000)
Cost of investment	70,000
Capital gains tax liability deferred *	(20,000)
Net initial cost of investment	50,000

*\* Only applicable if a Capital Gain exists up to the limit of the investment in the tax year, i.e. this example assumes the £100,000 gross investment represents the gain arising on the disposal of another asset. That gain is assumed to be charged at the full rate of capital gains tax of 20%. Certain gains, including in particular those realised on the sale of residential property, may be charged at the rate of 28% thus increasing the potential deferral to £28,000 and the Net initial cost of investment to £42,000.*

The gain is deferred until there is a chargeable event, such as a disposal of the shares or, if earlier, certain other chargeable events occur.

d) *Loss relief*

If a loss arises to an individual investor on a disposal of the Ordinary Shares, the net loss, after taking the EIS income tax relief into account, may be set against income or chargeable gains of the individual investor.

A loss arising on a disposal of the Ordinary Shares (whether by an individual or trustee) should be available to relieve any chargeable gain which has been the subject of capital gains tax deferral relief but which comes back into charge as a consequence of the disposal.

e) *Withdrawal of relief under the EIS*

If any of the conditions under which the Company satisfies the requirements of a Qualifying Company for the purposes of the EIS cease to be satisfied at any time beginning with the date of issue of the Ordinary Shares and ending three years later (or, for some conditions, three years from commencement to trade if this gives a longer period) the EIS income tax relief is withdrawn and/or the deferred gains come back into charge, as the case may be. The withdrawal of the EIS income tax relief would also result in the capital gains tax relief being unavailable on a subsequent disposal of the Ordinary Shares.

Relief is also wholly or partially withdrawn and the deferred gains brought back into charge if, within the three year period, the investor receives value from the Company or otherwise ceases to be eligible for relief. Value is received from the Company if, for example, it repurchases or redeems any shares, or makes the investor a loan or provides a benefit or facility to the investor. In certain circumstances, “insignificant” amounts of value (or the return of value to the Company without delay) will be disregarded.

f) *Claims*

Investors must make a formal claim to HM Revenue and Customs for EIS Relief or EIS Deferral Relief. The claim may be made following receipt of Form EIS 3 from the Company. Form EIS 3 is a certificate issued by a company with the approval of HM Revenue and Customs, confirming that it is a Qualifying Company for the purposes of the EIS. The Company proposes to submit its application to HM Revenue and Customs to issue EIS 3 certificates as soon as practicable following the closure of the Offer and the issue of the Ordinary Shares.

### **Taxation of dividends**

The taxation of dividends paid by the Company and received by an Investor resident for tax purposes in the UK is summarised below.

a) *Individuals*

An individual Investor who is resident in the UK (for UK tax purposes) and who receives a dividend from the Company will be taxable on the dividend payment as the top slice of the individual Investor’s income. Each individual has an annual Dividend Allowance of £5,000 (to be reduced to £2,000 with effect from 6 April 2018) which provides for a nil rate of income tax with respect to the dividend income received. Dividends received in excess of the Dividend Allowance will be subject to income tax at the individual Investor’s marginal rate of income tax. Dividends falling within the individual Shareholder’s basic rate band will be taxed at 7.5% (the “dividend ordinary rate”) those falling within the higher rate band at 32.5% (the “dividend upper rate”) and those falling within the additional rate band at 38.1% (the “dividend additional rate”).

b) *Trustees and other non-corporate Investors*

UK resident trustees of a discretionary trust in receipt of dividends from the Company will generally be subject to income tax at a rate of 38.1%. The trustees of such a trust do not benefit from the Dividend Allowance.

UK pension funds and charities are generally exempt from tax on dividends which they receive.

c) *Companies*

Investors who are within the charge to UK corporation tax will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular corporate Investor, although it is expected that the dividends paid by the Company would normally be exempt.

### **Taxation of capital gains**

A gain realised on a disposal of the Offer Shares may be subject to capital gains tax, or, in the case of a corporate investor, corporation tax. The following paragraphs give an indication of how gains may be taxed if not eligible for EIS capital gains tax exemption as described above.

a) *Individuals and trustees*

Gains realised on a disposal of the Offer Shares by an individual not qualifying for EIS capital gains exemption or by trustees will, subject to any other available reliefs or exemptions, be subject to capital gains tax at a rate of 20% (10% for individuals only whose total income and gains fall below the income tax basic rate limit).

Shares of the same class acquired by the same person and in the same capacity are “pooled” and treated as a single asset growing or diminishing as shares of the same class are acquired or disposed. Accordingly on a part disposal of the relevant shareholding the gain (or loss) will be computed by reference to that proportionate part of the aggregate cost of the holding attributable to the shares disposed.

Indexation relief is not available to individuals and trustees in computing any gain subject to capital gains tax.

b) *Companies*

UK resident corporate shareholders are not subject to capital gains tax. In general capital gains realised by such companies, as reduced by available indexation relief, are subject to corporation tax at the company's relevant rate. The full rate of corporation tax is currently 19%, reducing to 17% for gains realised after 1 April 2020.

Indexation relief has been "frozen" as at 31 December 2017. The relief (where available) is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the cost of the holding, or that part of the holding, disposed. Indexation relief accrued on assets up to 31 December 2017 will continue to be available on the disposal of the asset, but no further indexation relief will accrue, and accordingly for assets acquired on or after 1 January 2018, no indexation relief will be available at all.

As for individuals and trustees, shares of the same class held by a corporate shareholder are "pooled".

c) *Non residents*

Investors who are not resident in the UK for tax purposes and who are not affected by the rules relating to temporary non residence will, save in limited circumstances, not be liable to UK taxation on chargeable gains realized on the disposal of their Offer Shares. Such Investors may be subject to foreign taxation on any gain realized under the local law of their country of residence and should consult their own tax adviser concerning their tax liabilities on such gains.

### **Inheritance tax**

The Offer Shares are considered, potentially, to qualify for business property relief for the purposes of inheritance tax. Shares in an unquoted company (other than an investment company or one which carries on a business consisting wholly or mainly of dealing in securities, stocks, shares, land and buildings) potentially attract full relief (as business property) from inheritance tax where the shares have been held for two years prior to the chargeable transfer for inheritance tax purposes.

### **Stamp duty and Stamp Duty Reserve Tax ("SDRT")**

Transfers of Ordinary Shares may give rise to liabilities to stamp duty or SDRT. The paragraphs below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate.

No liability to stamp duty or SDRT will generally arise on the allotment and issue of new Ordinary Shares by the Company.

a) *Transfers outside CREST*

An instrument (generally a stock transfer form) transferring Ordinary Shares outside CREST will be liable to ad valorem stamp duty broadly at a rate of 0.5% of the actual consideration paid, with the stamp duty rounded up to the nearest £5. Stamp duty is normally paid by the purchaser. An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form, will be subject to SDRT (payable by the purchaser and generally at a rate of 0.5% of the consideration paid). If within six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled or repaid.

b) *Transfers within CREST*

Paperless transfers of Ordinary Shares within CREST will generally be charged to SDRT (rather than stamp duty) at a rate of 0.5% of the consideration paid. SDRT is payable by the purchaser. CREST is obliged to collect SDRT on relevant transactions settled within the system.

### **Summary of Israeli taxation for UK investors**

The Directors intend that the Company will be tax resident in Israel.

With respect to dividends sourced from ordinary earnings, based on the Israeli domestic tax laws, the withholding tax rate which will apply to dividends paid by an Israeli company to an Israeli resident individual shareholder or to a foreign resident shareholder (Individual and/or corporation) is 30% for distributions to a "substantial shareholder" (being someone who holds, directly or indirectly, by himself or "together with another", at least 10% of one or more of the means of control in the company – "together with another" means together with a relative, or together with someone who is not a relative but with whom, according to an agreement, there is regular cooperation in material matters of the Company, directly or indirectly) and 25% with respect to distributions to all other shareholders, unless

a lower rate is provided in a double taxation treaty signed between Israel and the shareholder's country of residence. Israeli resident companies are generally exempt from tax on the receipt of dividends paid by Israeli companies.

In addition, based on the Israeli domestic tax laws, dividends distributed by the Company to an Israeli resident individual shareholder or to a foreign resident shareholder (Individual and/or corporation) which are sourced from preferred income generated by the Company in accordance with the provisions of the Investments Law, are generally subject to withholding tax at a rate of 20%, unless a lower rate is provided in a double taxation treaty between Israel and the shareholder's country of residence. Israeli resident companies are generally exempt from tax on the receipt of dividends paid by Israeli companies, which are sourced from preferred income.

The double taxation treaty between Israel and the UK (the "UK Treaty") provides for the foregoing withholding to be reduced to 15% where the recipient is subject to tax on the dividends received in the UK. This relief under the UK Treaty would not be available if the holder of Ordinary Shares had a permanent establishment in Israel and their holding of Ordinary Shares with respect to which the dividends are paid was effectively connected with the business or trade of that permanent establishment. The reduced rate of withholding tax is also not available under the UK Treaty if: (a) the recipient owns 10% or more of the class of Ordinary Shares in respect of which the dividend is paid, to the extent that the dividend in question could only have been paid out of profits which the Company earned or out of other income which it received in a period ending twelve months or more before the relevant date (for these purposes, the "relevant date" is the date on which the recipient of the dividend became the owner of 10% or more of the class of Shares in question); and (ii) the recipient cannot show that the Shares were acquired for bona fide commercial reasons and not primarily for the purpose of securing the benefit of the reduced withholding tax rate under the UK Treaty.

In order to enjoy the reduced withholding tax rate prescribed under the UK Treaty, a certificate from the Israeli tax authorities may need to be obtained, which in some cases requires the shareholder to confirm their tax residence.

Provided that the Company is not resident in the UK for taxation purposes and does not carry out any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation on its income and gains, other than in respect of interest and other income received by the Company from a UK source (to the extent that it is subject to withholding taxes in the UK).

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

A UK tax resident individual shareholder who receives a dividend from the Company (the amount received being the "net dividend") will normally be entitled to a tax credit equal to one-ninth of the amount of the net dividend provided that the shareholder does not hold more than 10% of the shares. The individual will be subject to UK income tax on the aggregate of the net dividend and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income. The individual will be liable to income tax in respect of the dividend at the dividend ordinary rate, the dividend upper rate or the dividend additional rate.

An individual shareholder who is liable to UK tax at the basic rate, will be charged to tax on the gross dividend at the dividend ordinary rate of 10% (for the tax year 2014/15). So the tax credit will fully discharge that shareholder's income tax liability on the dividend.

An individual shareholder liable to UK tax at the higher rate will be charged to income tax on the gross dividend at the higher dividend rate of 32.5% (for the tax year 2014/15).

The 10% tax credit attached to the dividend will only partially discharge the shareholder's 32.5% tax liability. An income tax charge of 22.5% of the gross dividend (25% of the net dividend) will remain.

An individual shareholder liable to UK tax on their income at the additional rate will be charged tax on the gross dividend at the additional dividend rate of 37.5% (for the tax year 2014/15).



In this situation, the 10% tax credit attached to the dividend will only partially discharge the shareholder's 37.5% tax liability. An income tax liability at the rate of 27.5% of the gross dividend (approximately 30.6% of the net dividend) will remain.

Individual shareholders may be able to claim relief for withholding tax suffered on dividends paid to them.

UK resident individual shareholders who are not domiciled within the UK and who are claiming the remittance basis of taxation (or who are within it automatically), will generally be subject to UK income tax on the dividend receipt only if the dividend is remitted (or deemed to be remitted) to the UK. In such a case, it should be noted that advantage can only be taken of the reduced rate of withholding tax under the UK Treaty if the dividends are subject to UK tax and the recipient qualifies as a resident under the UK Treaty.

A corporate shareholder (within the charge to UK corporation tax) which is a "small company" for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

Other corporate shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, most dividends received by corporate shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10% of the issued share capital of the Company (or any class of that share capital).

The exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not, or cease to be, satisfied, or such a shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company. UK corporation tax is charged on dividends at the rate applicable to that company.

Shareholders who are able to claim an exemption from UK corporation tax on dividends from the Company will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

### **Capital gains**

Under the Israeli domestic tax laws, in general, foreign residents (Individual and/or corporation) are exempt from tax in Israel with respect to capital gains realized on the sale of shares of an Israeli resident company which were acquired starting from January 1, 2009, provided (i) such gains are not attributable to a permanent establishment of the shareholder in Israel; (ii) the acquisition of the shares was not from a relative and the provisions of Part E2 of the Income Tax Ordinance (New Version) 1961, or the provisions of Section 70 of the Real Estate Taxation Law, do not apply to it; (iii) the shares were not traded on a stock exchange in Israel at the time of the sale; and (iv) most of the value of the assets held, directly or indirectly, by the company on the acquisition date of the shares and for the two years preceding their sale was not attributable to real estate rights or rights in a real estate association or the right to use the land or any property connected to land in Israel or the right to exploit natural resources located in Israel.

Under the Israeli domestic tax laws, foreign resident corporations will not be entitled to such exemption if (i) an Israeli resident has a controlling interest, directly or indirectly, alone, together with another (as defined above), or together with another Israeli resident, of 25% or more in one or more of the means of control in such non-Israeli resident company; or (ii) Israeli residents are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli resident company, whether directly or indirectly.

In any event, UK residents disposing of shares in the Company could rely on the UK Treaty which exempts UK resident shareholders from Israeli tax on capital gains where the capital gains are subject to tax in the UK and are not attributable to a permanent establishment of the shareholder in Israel. However, where shares in the Company are, for example, held by a UK resident that qualifies under UK law for a tax exemption upon the disposal of such shares, it is uncertain that the Israeli Tax Authorities ("ITA") will accept that the benefits of the UK Treaty apply as the capital gain might be deemed by the ITA not to have been subject to UK tax. Therefore the exemption contained within Israeli domestic law may be the only protection available from Israeli taxation.

## PART 9

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### TERMS AND CONDITIONS OF THE OFFER

1. The subscription list will open on 19 March 2018 and will close when the Offer is Fully Subscribed or on 21 May 2018 unless extended by the Directors prior to that date, pursuant to the terms of the Offer.
2. Arrangements have been put in place with Hallswelle Management Limited whereby Metrycom Nominees Limited ("Nominee") will provide nominee shareholder services on behalf of all Investors. This will assist in administration. Accordingly, you will not be issued with a share certificate. Further details relating to these services are set out in Part 8, Section B (below).
3. The Company reserves the right to reject in whole or in part or to scale down any applications at the Company's discretion, and to present any cheque or banker's draft for payment on receipt. If any application is not accepted, or is accepted for fewer Ordinary Shares than the number applied for, the application monies or, as the case may be, the balance of the application monies will be returned (without interest) by returning the applicant's cheque or banker's draft or by sending a cheque for the balance crossed "A/C Payee" in favour of the first named applicant through the post to the address of the first named applicant at the risk of the applicant(s). Incorrectly completed Application Forms may be treated as valid and binding upon the relevant applicant's request at the option of the Company.
4. Applications for Ordinary Shares must be made on the Application Form. By completing an Application Form, you as the applicant(s):
  - 4.1 irrevocably offer (by way of the Nominee) to subscribe for the number of Ordinary Shares specified in your Application Form (or for such smaller number in respect of which the application is accepted) at the Offer Price on the terms and subject to the conditions set out in the Application Form (of which these terms and conditions of application and the guide to the Application Form are a part) and subject to and on the basis of the information contained in this Document and subject to the articles of association of the Company;
  - 4.2 agree to the terms of Section B of Part 9 of this Document;
  - 4.3 authorise the Company to send definitive certificates for the number of Ordinary Shares for which your application is accepted to the Nominee and if applicable a cheque crossed "A/C Payee" for any monies returnable (without interest) or your cheque or banker's draft in each case by post, at the risk of the person(s) entitled thereto, and do all things necessary to procure that the Nominee is placed on the respective registers of the Company in respect of such Ordinary Shares for which your application is accepted;
  - 4.4 in consideration of the Company agreeing that it will consider and process applications for Ordinary Shares under the Offer in accordance with the procedures set out in this Document, which will become binding on receipt of the Application Form by the Company at the address specified in the Application Form:
    - 4.4.1 warrant that your remittance will be honoured on first presentation and agree that if such remittance is not so honoured, the Nominee will not be entitled to receive (on your behalf) certificates in respect of the Ordinary Shares applied for or to enjoy or receive the new rights of distribution in respect of any Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Company (which acceptance will be in its absolute discretion and on the basis that you indemnify the Company against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance being honoured on first presentation) and that, at any time prior to unconditional acceptance by the Company of such late payment in respect of such Ordinary Shares, the Company may (and without prejudice to any other rights) avoid the agreement to allocate such Ordinary Shares to the Nominee on your behalf and may reallocate Ordinary Shares without liability to you or to some other person, in which case you will not be entitled to any refund or payment in respect of such Ordinary Shares (other than the refund to you at your risk of any proceeds of the cheque or banker's draft accompanying your application, without the interest);
    - 4.4.2 agree promptly, on request by the Company, to disclose in writing to it any information which it may request in connection with your application and authorise the Company to disclose any information relating to your application which it may consider appropriate;

- 4.4.3 agree that any definitive certificates in respect of the Ordinary Shares to which the Nominee might become entitled (on your behalf) and monies to be returned to you may be retained pending clearance of your remittance or pending investigation of any suspected breach of the warranties in these terms and conditions of application and that such monies will not bear interest;
- 4.4.4 warrant that if you sign an Application Form on behalf of someone else or a corporation, you have authority to do so and such person shall be bound accordingly and will be deemed also to have made the offer and given the authority, confirmation, warranties and undertakings contained in these terms and conditions of application;
- 4.4.5 confirm that in making this application, neither you nor any person on whose behalf you are applying, is relying on any information or representation in relation to the Company other than such as may be contained in this Document and you accordingly agree that none of the Company, the Directors, or any other person acting on behalf of them or any other person responsible solely or jointly for this Document or any part of it shall have any liability for any such information or representation (except in the case of fraud or wilful concealment);
- 4.4.6 warrant that no other application is being made by you for your own account or by another on your behalf or for your benefit and with your knowledge for such purpose or, if you are applying as agent or nominee of another, that no other application is being made by you not being such an application as an agent or nominee for that other person and that other person is not, to your knowledge, acting in concert with any other person or persons as aforesaid;
- 4.4.7 agree that all applications, acceptances of applications and contracts resulting from them under this Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances of application or contracts in any manner permitted by law or in any court of competent jurisdiction;
- 4.4.8 warrant that in connection with your application, you will observe the laws of all relevant territories, obtain any requisite governmental or other consents which may be required, comply with all requisite formalities and pay any issue, transfer or other taxes due in connection with your application in any territory, other than stamp duty or stamp duty reserve tax, and that you have not taken any action or omitted to take any action which will or may result in the Company or any of its respective directors, officers, agents or employees being in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- 4.4.9 warrant that if you are applying for Ordinary Shares on behalf of any other person, in connection with your participation in the Offer, you have observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering, you accept full responsibility for any requirement to verify the identity of any other persons in respect of whom you have applied and you are a person: (1) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (2) subject to the EU Money Laundering Directive; or (3) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and are based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the EC Money Laundering Directive;
- 4.4.10 warrant that you are aware of your obligations under the Proceeds of Crime Act 2002 which relate to money laundering;
- 4.4.11 warrant that neither the application made by you, nor the allotment to the Nominee, for or of any Ordinary Shares will infringe any provision of the law or regulations of any country outside the UK;
- 4.4.12 agree that, having had the opportunity to read this Document, you shall be deemed to have notice of all information and representations concerning the Company contained in it;
- 4.4.13 if you are a natural person, warrant that you are not under 18 years of age on the date of your application and that you are not applying on behalf of a person who is under 18 years of age on the date of your application; and
- 4.4.14 agree all communications from or to the Company and/or the Nominee may be by e mail to the e mail address set out in the Application Form or as may otherwise be notified to the Company and/or Nominee from time to time.

5. No person receiving a copy of this Document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other regulatory or legal requirements without any action being required by or on behalf of the Company for the purpose of making such invitation or offer lawful in such territory. It is a condition of any application by a person outside the UK that he/she must satisfy himself/herself as to the full observance of the laws of any relevant territory in connection with the application including obtaining any requisite or governmental or other consents which may be required and comply with requisite formalities, and paying any issue, transfer or other taxes due in any such territory. This Document and any other documents relating to the Offer have not been submitted to the clearance procedures of any authorities outside the UK. The Company reserves the right, in its absolute discretion, to reject any application made by any person outside the UK. All payments under the Offer must be made in pounds sterling.
6. For US Investors. The Ordinary Shares have not been and will not be registered under the Securities Act of 1933 ("Securities Act"). Accordingly, except where a transaction is exempt under the Securities Act, the Ordinary Shares may not be offered, sold or renounced, directly or indirectly, in the United States of America, its territories, possessions and other areas subject to its jurisdiction ("United States") to or for the account or benefit of a US person. This Document shall not constitute an offer to sell or the solicitation of an offer to buy any of the Ordinary Shares. If an Application Form is received by any US person, or the agent of a US person, he/she should not seek to subscribe for any Ordinary Shares unless it constitutes an exempt transaction under the Securities Act. An application and payment made under an Application Form will constitute a representation and warranty that the person so applying is not a US person and will not hold or acquire any of the Ordinary Shares in the United States or to or for the account or benefit of a US person or that the application constitutes a transaction which is exempt under the Securities Act. For the purposes of this Document, the term "US person" means a citizen of the United States resident in the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to the United States Federal income taxation, regardless of its source, but does not include a branch or agency of a US bank or insurance company that is operating outside the United States for valid business reasons as a legally regulated branch or agency engaged in the banking or insurance business and not solely for the purpose of investing in securities not registered under the Securities Act. Similar provisions apply in respect of Canada, Australia and Japan.
7. It is a further condition of the Offer that the Company or the Receiving Agent may, in their absolute discretion, require verification of identity from persons lodging an Application Form ("applicant") or of any person on whose behalf the applicant appears to be acting, to ensure compliance with the Money Laundering Regulations 2007. If satisfactory evidence of identity has not been obtained within a reasonable time, then the transaction will not proceed any further and the application monies (without interest) will be returned to the bank account where the cheque was drawn. In the case of a joint application, references in these terms and conditions of application to "you" are to each joint applicant and the liability of joint applicants is joint and several.
8. The minimum amount per subscriber required under the Offer shall be equal to 2000 Ordinary A Shares (i.e. £10,402.45), unless otherwise agreed by the Company.

## TERMS AND CONDITIONS OF APPOINTMENT OF THE NOMINEE

The following terms and conditions, which you agree to by completing and submitting the Application Form, form a legal agreement (the "Agreement") pursuant to which you ("you" or the "Principal") appoint Metrycom Nominees Limited (Registered in England & Wales, with registration number 11243594) (the "Nominee") as your nominee to hold the Offer Shares issued to you pursuant to the Offer.

1. The Nominee shall act as nominee for the Principal and shall hold on his behalf the Offer Shares for the benefit and risk of the Principal.
2. The Nominee will always act upon instructions received from the Principal and execute his/her rights and duties as a shareholder of the Company in accordance with such instructions.
3. Notwithstanding the above, the Nominee will have the right to act in its sole discretion without special instructions in all instances where it believes in its sole discretion immediate action is required and the Principal cannot be consulted in due time.
4. The Principal will inform the Nominee of the contents of any shareholders, joint venture or other agreement or deed to be signed by him/her. The Nominee will perform his/her services in accordance with the provisions of such agreement.
5. The Principal will assume full responsibility for all actions undertaken by the Nominee in accordance with this Agreement. The Principal hereby agrees to indemnify Nominee in respect of any loss (including but without prejudice to the generality of the foregoing the cost of defending any legal proceedings that may be brought against the Nominee) of any nature whatsoever and howsoever caused that is or may be suffered by Nominee by reason or virtue of his/her acting as Nominee, whether justified or not, connected with or arising out of the performance of his/her duties as Nominee or nominee shareholder in respect of the Offer Shares.
6. The Nominee shall at all times stand possessed of his/her interest in the Offer Shares and all dividends and distributions of profits or surplus or other assets in respect of it and any shares or securities resulting from holding the Offer Shares upon trust and as nominee for the Principal absolutely.
7. The Nominee shall forthwith when called so to do by the Principal transfer his/her interest in the Offer Shares to the Principal or as the Principal may direct and for such purpose a transfer of the Offer Shares may be duly executed by the Nominee and delivered to the Principal.
8. The Principal hereby instructs the Nominee unless otherwise directed by the Principal to accept a Drag Along Offer which may be made to the Nominee in respect of the Offer Shares pursuant to the articles of association of the Company.
9. The Nominee shall at the request of the Principal appoint the Principal irrevocably to be his/her Attorney in his/her name and on his/her behalf to complete deliver and deal with the said transfer and certificates in such manner and at such time as the Principal may think fit and to execute any other documents required to give effect to this Agreement or Nominee's obligations under it.
10. This Agreement can be terminated by the Nominee in writing duly received by the Principal with a fourteen day notice period.
11. This Agreement and all matters relating to it shall be governed by and construed in accordance with the laws of England and Wales and the parties submit to the exclusive jurisdiction of the Courts of England and Wales.



*The following should be read in conjunction with the Application Form*

1. Insert in the first space provided in paragraph 1 (in figures) the number of Ordinary A Shares for which you would like to apply. Applications must be for not less than 2,000 Ordinary A Shares with a minimum invested amount equal to not less than £10,402.45.
2. Insert in the space provided in paragraph 2 (in figures) the amount of your cheque or banker's draft. The amount of your cheque or banker's draft should be the Offer Price of £5.2012 pence per Ordinary A Share multiplied by the number of Ordinary A Shares inserted in the space in paragraph 1.
3. Date and sign the Application Form in the space provided in paragraph 5. The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so, but the power(s) of attorney, or a duly certified copy, must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated. Applications may not be made by anyone aged under 18.
4. Insert your full name and address in BLOCK CAPITALS in the space provided in paragraph 5.
5. Attach a single cheque or banker's draft to your completed Application Form. Your cheque or banker's draft must be payable to Metrycom Nominees Ltd A/C for the amount payable on application as inserted in paragraph 2, and should be crossed "A/C Payee".
6. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to Metrycom Nominees Ltd. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by endorsing the cheque/bankers' draft to such effect. Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any monies to be returned will be done so by returning the cheque to the applicant or by sending a cheque crossed "A/C Payee" in favour of the person named in paragraph 5. An application will be accepted by the Company (either in whole or in part) immediately upon the Board (or a committee of it) passing a resolution allotting the Ordinary A Shares to the applicant(s). If any application is not accepted the amount paid will be returned by cheque sent by post at the risk of the applicant(s). The Company reserves the right:
  - 6.1 to present all cheques for payment and to retain certificates and surplus application monies pending clearance of applicants' cheques;
  - 6.2 to reject any application or to accept any application in part only on any basis it sees fit; and
  - 6.3 to accept an application not complying with the requirements specified in these notes or in the Application Form.
7. All cheques, certificates and other documents will be dispatched by post at the risk of the person(s) entitled thereto.
8. You may apply jointly with other persons. You must then arrange for the Application Form to be completed by or on behalf of each other joint applicant (up to a maximum of three other persons). Their full names should be inserted in BLOCK CAPITALS in the space provided in paragraph 6. Paragraph 6 must be signed by or on behalf of each joint applicant (other than the first applicant, who should complete paragraph 5 and sign the box at paragraph 5). If anyone is signing on behalf of any joint applicant(s), the power(s) of attorney or a duly certified copy thereof must be enclosed for inspection.
9. You must send your completed Application Form by post, or deliver it by hand, to:
 

**Hallswelle Management Ltd**  
**Hallswelle House, 1 Hallswelle Road**  
**London NW11 0DH**

so as to be received not later than 21 May 2018 (unless extended by the Directors).
10. If you post your Application Form, you are recommended to use first-class post and allow at least two days for delivery. Photocopies of your Application Form are not acceptable.



# APPLICATION FORM



You must send your completed Application Form by post, or deliver it by hand to Hallswelle Management Ltd, 1 Hallswelle Road, London NW11 0DH. The subscription list will open on 19 March 2018 and may be closed any time thereafter or when the Offer is Fully Subscribed, but in any event not later than 21 May 2018, unless previously extended by the Directors, pursuant to the terms of the Offer. I/We understand that other costs, including taxes, may arise in connection with my investment which are not paid or imposed by CSSE or the Company.

Before making any application you are recommended to consult an independent financial advisor authorised under the Financial Services and Markets Act 2000. You may only apply for Ordinary A Shares in the multiples stated in note 1 of the Guide to the Application Form.

1. I/We offer to acquire \_\_\_\_\_ Ordinary A Shares (in respect of which this application may be accepted) at £5.2012 per Ordinary A Share on the terms and subject to the conditions of this Document and subject to the articles of association of the Company.
2. I/We attach a cheque or banker's draft for the amount payable of £ \_\_\_\_\_ (pence multiplied by the number of ordinary a shares inserted above) made payable to **Mettrycom Nominees Ltd.**
3. I/We agree to appoint Mettrycom Nominees Ltd ("Nominee") as my/our nominee to hold the number of Ordinary A Shares in respect of which this application may be accepted. I/we request that you to send me/us such documents as the Nominee shall issue evidencing my/our holding of the number of Ordinary A Shares in respect of which this application may be accepted together with a cheque for any surplus application money (without interest) by post at my/our risk, to the address given below. I/we understand that the completion and delivery of the Application Form accompanied by a cheque constitutes an undertaking that the cheque will be honoured on first presentation. I/we understand that no application will be accepted unless and until payment in full for the Ordinary A Shares has been made.
4. I/We confirm that I am/we are applying on my/our behalf, that I/we have read, accepted and understood the terms and conditions set out in this Document, that I/we have taken appropriate professional advice before submitting this Application Form and that I am/we are aware of the risks involved in investing in the Company subject to the Offer. I/we further confirm that I am/we are investing in the Company on the basis only of the information contained in the Document which supersedes all other information (whether written or oral) concerning the Company and the Ordinary A Shares or otherwise prior to the date of the Document and that I am/we are aware that any such other information or representations must not be relied upon in investing in the Company.
5. Please register any Ordinary A Shares applied for by me/us in the name of the Nominee.

PLEASE USE BLOCK CAPITALS

<i>Dated</i>	<i>Signature</i>	
<i>Mr, Mrs, Miss or title</i>	<i>Forenames in full</i>	
<i>Surname</i>		
<i>Address in full</i>		
<i>Post code</i>	<i>E-mail</i>	
<i>Tel (office)</i>	<i>Tel (home)</i>	<i>UTR</i>

6. We authorise the Directors of the Company to contact me/us by telephone in connection with queries arising on my/our behalf. If there is more than one applicant please complete below:

<i>Mr, Mrs, Miss or title</i>	<i>Mr, Mrs, Miss or title</i>	<i>Mr, Mrs, Miss or title</i>
<i>Surname</i>	<i>Surname</i>	<i>Surname</i>
<i>Forenames</i>	<i>Forenames</i>	<i>Forenames</i>
<i>Signature</i>	<i>Signature</i>	<i>Signature</i>

7. INTERMEDIARIES. If you are completing this application through an Agent please complete below:

<i>Agent's name</i>	<i>Reference</i>
<i>Address in full</i>	
<i>Authorisation code</i>	<i>Tel No.</i>

