Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
September 30, 2015 (Unaudited)

Contents

The Board of Directors' Report[1] on Corporate Affairs

We are pleased to present the Board of Directors' report on the affairs of Payton Planar Magnetics Ltd. and its consolidated subsidiaries
for the nine months ended on September 30, 2015.

Notice*: This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events. Management emphasizes that the assumptions does not in any way imply commitment towards realization. The outcome of which is subject to certain risks and other factors, which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.*

Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

1. A concise description of the corporation and its business environment

A. The Group

Payton Planar Magnetics Ltd. ("the Company") and its consolidated subsidiaries: Payton America Inc. ("Payton America"), Himag Planar Magnetics Ltd. ("Himag") and Payton Planar Holdings (1996) Ltd. ("Payton Holdings").

B. The Group's main fields of activity and changes that occurred in the period from January to September 2015

The Company, an Israeli high-tech enterprise, develops manufactures and markets Planar and Conventional transformers worldwide. The Company was founded in order to revolutionize the traditional approach to the design and manufacture of transformers through the concept of planar transformers. The Company completed its initial public offering in 1998 on the EuroNext Stock Exchange.

On March 9, 2015 - Himag purchased an industrial property in Gloucester, UK, the same property that Himag previously used to rent. The property area is of 607 m² and its total cost amounts to £435 thousands.
This purchase was financed by an intercompany loan, given by the Company to Himag.
This purchase supports Himag activity in the UK and expected to strengthen the foothold of Himag and Payton Group in Europe. In addition, it will provide the Group a European production site for special projects in Europe.

On August 18, 2015 - the Company's board of directors decided to repay the remaining balance of the bank loan, which as at September 30, 2015 amounts to USD 1,600 thousand, with no penalty, on its next exit point. On ***October 9, 2015*** this loan was repaid in full.

On November 23, 2015 - the Company's Board of Directors decided to pay the members an interim dividend on account of the dividend for the financial year 2015, at the amount of USD 3,092 thousands (USD 0.175 per share, to be paid on January 14, 2016). The Board shall recommend the General Meeting to approve the said amount as final.

[1] The financial statements as at September 30, 2015 form an integral part thereof.

C. Principal customers

The consolidated sales revenues include sales to major customers (which make up in excess of 10% of the sales of the Group).

	For the nine-month period ended September 30	For the year ended December 31	For the nine-month period ended September 30
	2015	2014	2014
Customer A	11.3%	15.6%	12.8%
Customer B	12.0%	*	*

* Less than 10% of the Group's consolidated sales.

D. Marketing

The Group is participating in most leading electronic exhibitions. During 2015 the Group participated in

- APEC in Charlotte, USA (March, 2015), PCIM Europe 2015 Exhibition, Nuremberg, Germany (May, 2015), New-Tech Exhibition, Tel-Aviv, Israel (May, 2015) and others.
- In addition, during 2015, the Company initiated several seminars and conferences in the USA.

E. Order Backlog

Order backlog of the Group as of September 30, 2015 amounted USD 10,219 thousand (December 31, 2014 - USD 10,378 thousand). The backlog is composed only of firm orders.
Management estimates that most of the backlog as of 30.9.15 will be supplied until June 30, 2016.

2. Financial position

A. Statement of Financial Position as at September 30, 2015

Cash and cash equivalents, Marketable securities held for trading and Short-term Deposits **-** these items amounted to a total of USD 20,406 thousand as at September 30, 2015 compared to USD 15,347 thousand as at December 31, 2014 and USD 16,066 thousand as at September 30, 2014. It is to be noted that, deposits at the amount of USD 1,005 thousand and USD 1,001 thousand, as at December 31, 2014 and as at September 30, 2014, respectively, were classified as Long-term deposits, and as such were then presented under the non-current assets.
The increase in these items, during the first nine months of 2015, is explained mostly by the profit for the period and by decrease in trade receivables.

Trade accounts receivable **-** these amounted to USD 4,163 thousand as at September 30, 2015 compared to USD 5,919 thousand as at December 31, 2014 and USD 4,379 thousand as at September 30, 2014. The decrease in this item at the first nine months of 2015 is mostly explained by decrease in sales volume in the period near the reports date.

Fixed assets **-** these amounted to USD 12,443 thousand as at September 30, 2015, compared to USD 12,084 thousand as at December 31, 2014 and USD 12,176 thousand as at September 30, 2014. The increase in this item in the first nine months of 2015 resulted mainly from purchasing the industrial real-estate property in England (see 1B above).

Liabilities to bank and others (Current & Non-current Liabilities) **-** amounted to a total of USD 1,823 thousand as at September 30, 2015, compared to USD 2,132 thousand as at December 31, 2014 and USD 3,192 thousand as at September 30, 2014. On August 18, 2015 the Company's board of directors decided to repay the remaining of the long-term bank loan, with no penalty, on its next exit point, dated October 2015, thus, the remaining of this loan, as at September 30, 2015 amounting USD 1,600 thousand was classified as short term liability.
The decrease in this item on 30.9.2015 compared to 30.9.2014 is mostly explained by a prepayment of USD 1 million out of the long term bank loan, made on December 2014.

B. Operating results

Summary of Consolidated quarterly Statements of Income
US Dollars in thousands

Payton Planar Magnetics Ltd.
Consolidated Comprehensive Income Statements

	Quarter 7-9/15	Quarter 4-6/15	Quarter 1-3/15	Quarter 10-12/14	Quarter 7-9/14
Sales revenues	6,859	7,398	6,185	7,943	6,223
Cost of sales	4,399	4,491	3,955	5,355	4,133
Gross profit	*2,460*	*2,907*	*2,230*	*2,588*	*2,090*
Development costs	(236)	(266)	(220)	(213)	(222)
Selling & marketing expenses	(507)	(594)	(483)	(515)	(464)
General & administrative expenses	(707)	(732)	(671)	(781)	(786)
Other income (expenses)	5	3	8	(11)	(2)
Operating income	*1,015*	*1,318*	*864*	*1,068*	*616*
Finance (expenses) income, net	(25)	103	(83)	(23)	(88)
Profit before income taxes	*990*	*1,421*	*781*	*1,045*	*528*
Income taxes	(135)	(253)	(178)	(209)	(91)
Net profit for the period	*855*	*1,168*	*603*	*836*	*437*
Other comprehensive income items that will not be transferred to profit &loss					
Remeasurement of defined benefit plan, net of taxes	-	-	-	242	-
Total other comprehensive income	-	-	-	242	-
Total comprehensive income for the period	*855*	*1,168*	*603*	*1,078*	*437*

General note: The Group is exposed to erosion of the USD in relation to the NIS, Euro (€) and the Pound (£). Most of the Group's salaries and other operating costs are fixed in NIS. Revaluation of the local Israeli currency drives to an increase in labor costs and other operating costs, thus, negatively affects the operating results of the Company. The average rate of the USD with relation to the NIS in the first nine months of 2015 went up by 11.4% compared to average rate of the first nine months of 2014 and went up by 8.7% compared to average rate of year 2014. The increase in this rate reflects a decrease in the above-mentioned costs when they are presented in USD.

Sales revenues - The Group's sales revenues for the nine-month period ended September 30, 2015 were USD 20,442 thousand compared with USD 17,384 thousand in the nine-month period ended September 30, 2014 (increase of 17.6%). Sales revenues in the third quarter of 2015 were USD 6,859 thousand compare with USD 6,223 thousand in the third quarter of 2014 (increase of 10.2%). The increase in sales in the first nine-months of 2015 was mainly from a ramp up in some maturing projects.

***Gross profit* -** The Group's gross profit for the nine-month period ended September 30, 2015 amounted USD 7,597 thousand (37% of sales) compared with USD 5,993 thousand (34% of sales) in the nine-month period ended September 30, 2014. The increase in the gross profit relates to the growth in sales, whereas, part of the expenses included in the cost of sales did not increase in a similar proportion. In addition, the gross profit increased due to the devaluation of the local currency resulting in lower local cost (see "General note" above) and due to decrease in other manufacturing expenses.

***Selling & marketing expenses* -** The Group's selling & marketing expenses are mainly comprised of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network.

The Group's Selling & marketing expenses for the nine months ended September 30, 2015 amounted to USD 1,584 thousand compared with USD 1,504 thousand in the nine months ended September 30, 2014.

***Finance expenses, net* -** Finance expenses for the nine months ended September 30, 2015 amounted to USD 5 thousand compared with USD 117 thousand in the nine months ended September 30, 2014. The decrease in these expenses relates mainly due to a decrease in interest paid for long term loan which USD 1 million out of it was repaid on December 2014, and due to an erosion of the USD in relation to the NIS, Euro(€) and Pound(£).

3. Liquidity

A. Liquidity Ratios

The following table presents the financial ratios in the Statement of Financial Position:

Payton Planar Magnetics Ltd. Consolidated financial ratios			
	September 30, 2015	**December 31, 2014**	**September 30, 2014**
Current ratio[2]	4.69	5.30	5.76
Quick ratio[3]	4.08	4.57	4.87

B. Operating activities

Cash flows generated from operating activities for the nine-month period ended September 30, 2015 amounted USD 5,461 thousand, compared with cash flows of USD 1,952 thousand for the nine-month period ended September 30, 2014. The increase in this cash flows resulted mostly from decrease in trade receivables and from increase in the net profit.

[2] Current ratio calculation – Current assets / Current liabilities
[3] Quick ratio calculation – (Current assets – Inventories) / Current liabilities

C. Investing activities

Cash flows generated from investing activities in the nine-month period ended September 30, 2015 amounted USD 418 thousand, compared with a cash flows used for investing activities of USD 1,903 thousand in the nine-month period ended September 30, 2014.

During the first nine-months of 2015 the Company used most of its proceeds from deposits for investment in the industrial property (UK) and in other fixed assets, whereas, at the same period last year most of the Cash flows used for investing activities stemmed from investments in bank deposits.

D. Financing activities

Cash flows used for financing activities in the nine-month period ended September 30, 2015 amounted USD 329 thousand, compared with USD 407 thousand in the nine-month period ended September 30, 2014.

4. Financing sources

The Group financed its activities during the reported periods from its own resources.

5. Subsequent Events

On November 23, 2015 the Company's Board of Directors decided to pay the members an interim dividend on account of the dividend for the financial year 2015, at the amount of USD 3,092 thousands (USD 0.175 per share, to be paid on January 14, 2016). The Board shall recommend the General Meeting to approve the said amount as final.

6. External factors effects

Revaluation/devaluation of the local Israeli currency in relation to the U.S. Dollar leads to an increase/decrease (respectively) in labor costs and other operating costs. Most of the Company's salaries and other operating costs are fixed in NIS, therefore, the operating results of the Company are being affected.

Devaluation of the Euro(€) and Pound(£) in relation to the U.S. Dollar leads to a decrease in Group's assets in those currencies.

To the best of the Board of Directors' and management's knowledge, except the above mentioned, there have been no significant changes in external factors that may materially affect the Company's financial position or results of operations.

7. Statement by senior management in accordance with article 12, § 2 (3°) of the Royal Decree per 14.11.2007

Pursuant to article 12 § 2(3°) of the Royal Decree of 14 November 2007, David Yativ Chairman of the Board of Directors declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

a) The financial statements at September 30, 2015 are drawn up in accordance with IFRS and with IAS 34 "Interim Financial Reporting" as adopted by the European Union and present a true and fair view of the equity, financial situation and results of the company.

b) The report gives a true and fair view of the main events of the first nine months of year 2015, their impact on the financial statements, the main risk factors and uncertainties for the remaining months of the financial year, as well as the main transactions with related parties and their possible impact on the abbreviated financial statements.

The Company's Board of Directors wishes to thank our shareholders for their continuance trust and belief.

The Company's Board of Directors wishes to extent its sincere thanks to the entire personnel for their efforts and contribution to the Group's affairs.

Ness Ziona, November 23, 2015.

David Yativ **Chairman of the Board of Directors**	**Doron Yativ** **Director and C.E.O.**

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Review Report to the Shareholders of Payton Planar Magnetics Ltd.

Introduction

We have reviewed the accompanying financial information of Payton Planar Magnetics Ltd. and its subsidiaries comprising of the condensed consolidated interim statement of financial position as of September 30, 2015 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting"*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

Somekh Chaikin
Certified Public Accountants (Isr.)
(A Member of KPMG International)

November 23, 2015

Condensed Consolidated Interim Statement of Financial Position as at

	September 30 2015	September 30 2014	December 31 2014
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**10,222**	5,448	4,692
Short-term deposits	**10,184**	10,203	10,447
Marketable securities held for trading	**-**	415	208
Trade accounts receivable	**4,163**	4,379	5,919
Other accounts receivable	**507**	367	422
Current tax assets	**-**	147	295
Inventory	**3,711**	3,836	3,533
Total current assets	**28,787**	24,795	25,516
Non-current assets			
Long-term deposits	**-**	1,001	1,005
Fixed assets	**12,443**	12,176	12,084
Intangible assets	**912**	1,039	1,007
Deferred taxes	**33**	98	33
Total non-current assets	**13,388**	14,314	14,129
Total assets	**42,175**	39,109	39,645

David Yativ	Doron Yativ	Michal Lichtenstein
Chairman of the Board of Directors	Chief Executive Officer	V.P. Finance & CFO

Date of approval of the Interim Financial Statements: November 23, 2015

Condensed Consolidated Interim Statement of Financial Position as at (cont'd)

	September 30 2015	September 30 2014	December 31 2014
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Liabilities and equity			
Current liabilities			
Liabilities to bank and others	**1,749**	501	389
Trade payables	**2,751**	2,445	2,991
Other payables	**1,279**	1,004	1,075
Current tax liability	**20**	-	-
Employee benefits	**341**	354	358
Total current liabilities	**6,140**	4,304	4,813
Non-current liabilities			
Liabilities to bank and others	**74**	2,691	1,743
Employee benefits	**410**	630	313
Deferred tax liabilities	**363**	-	214
Total non-current liabilities	**847**	3,321	2,270
Total liabilities	**6,987**	7,625	7,083
Equity			
Share capital	**4,836**	4,836	4,836
Share premium	**8,993**	8,993	8,993
Retained earnings	**21,359**	17,655	18,733
Total equity	**35,188**	31,484	32,562
Total liabilities and equity	**42,175**	39,109	39,645

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Revenues	**20,442**	17,384	**6,859**	6,223	25,327
Cost of sales	**(12,845)**	(11,391)	**(4,399)**	(4,133)	(16,746)
Gross profit	**7,597**	5,993	**2,460**	2,090	8,581
Development costs	**(722)**	(726)	**(236)**	(222)	(939)
Selling and marketing expenses	**(1,584)**	(1,504)	**(507)**	(464)	(2,019)
General and administrative expenses	**(2,110)**	(2,198)	**(707)**	(786)	(2,979)
Other income (expenses), net	**16**	(4)	**5**	(2)	(15)
Operating profit	**3,197**	1,561	**1,015**	616	2,629
Finance income	**102**	98	**45**	29	131
Finance expenses	**(107)**	(215)	**(70)**	(117)	(271)
Finance expenses, net	**(5)**	(117)	**(25)**	(88)	(140)
Profit before income taxes	**3,192**	1,444	**990**	528	2,489
Income taxes	**(566)**	(269)	**(135)**	(91)	(478)
Profit for the period	**2,626**	1,175	**855**	437	2,011
Other comprehensive income (loss) items that will not be transferred to profit and loss					
Remeasurement of defined benefit plan, net of taxes	**-**	(100)	**-**	-	142
Total other comprehensive income (loss)	**-**	(100)	**-**	-	142
Total comprehensive income for the period	**2,626**	1,075	**855**	437	2,153
Basic earnings per share (in $)	**0.15**	0.07	**0.05**	0.02	0.11

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital		Share	Accumulated	
	Number of shares	$ thousands	premium $ thousands	earnings $ thousands	Total $ thousands
For the nine months ended September 30, 2015 (Unaudited)					
Balance at January 1, 2015	**17,670,775**	**4,836**	**8,993**	**18,733**	**32,562**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**2,626**	**2,626**
Total comprehensive income for the period	**-**	**-**	**-**	**2,626**	**2,626**
Balance at September 30, 2015	**17,670,775**	**4,836**	**8,993**	**21,359**	**35,188**
For the nine months ended September 30, 2014 (Unaudited)					
Balance at January 1, 2014	17,670,775	4,836	8,993	16,580	30,409
Total comprehensive income for the period					
Profit for the period	-	-	-	1,175	1,175
Other comprehensive loss	-	-	-	(100)	(100)
Total comprehensive income for the period	-	-	-	1,075	1,075
Balance at September 30, 2014	17,670,775	4,836	8,993	17,655	31,484
For the three months ended September 30, 2015 (Unaudited)					
Balance at July 1, 2015	**17,670,775**	**4,836**	**8,993**	**20,504**	**34,333**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**855**	**855**
Total comprehensive income for the period	**-**	**-**	**-**	**855**	**855**
Balance at September 30, 2015	**17,670,775**	**4,836**	**8,993**	**21,359**	**35,188**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	Share capital		Share	Accumulated	
	Number of		premium	earnings	Total
	shares	$ thousands	$ thousands	$ thousands	$ thousands
For the three months ended September 30, 2014 (Unaudited)					
Balance at July 1, 2014	17,670,775	4,836	8,993	17,218	31,047
Total comprehensive income for the period					
Profit for the period	-	-	-	437	437
Total comprehensive income for the period	-	-	-	437	437
Balance at September 30, 2014	17,670,775	4,836	8,993	17,655	31,484
For the year ended December 31, 2014 (Audited)					
Balance at January 1, 2014	17,670,775	4,836	8,993	16,580	30,409
Total comprehensive income for the year					
Profit for the year	-	-	-	2,011	2,011
Other comprehensive income	-	-	-	142	142
Total comprehensive income for the year	-	-	-	2,153	2,153
Balance at December 31, 2014	17,670,775	4,836	8,993	18,733	32,562

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Operating activities					
Profit for the period	**2,626**	1,175	**855**	437	2,011
Adjustments to reconcile profit to net cash generated from operating activities:					
Depreciation and amortization	**788**	760	**266**	259	1,021
Income taxes	**566**	269	**135**	91	478
Capital (gain) loss on sale of fixed assets	**(16)**	4	**(5)**	2	3
Increase (decrease) in employee benefits	**80**	16	**(118)**	(168)	5
Decrease (increase) in trade accounts receivable	**1,756**	(349)	**1,617**	(485)	(1,889)
(Increase) decrease in other accounts receivable	**(85)**	80	**(189)**	34	25
(Increase) decrease in inventory	**(178)**	(618)	**99**	(213)	(315)
(Decrease) increase in trade payables	**(225)**	295	**(60)**	154	823
Increase in other payables	**204**	101	**236**	91	172
Interest received	**103**	55	**26**	3	102
Interest paid	**(50)**	(88)	**(16)**	(29)	(118)
Tax paid	**(363)**	(280)	**(137)**	(97)	(417)
Tax received	**261**	429	**19**	-	429
Changes in the fair value of contingent consideration	**-**	-	**-**	-	12
Finance (income) expenses, net	**(6)**	103	**15**	100	158
Cash flows generated from operating activities	**5,461**	1,952	**2,743**	179	2,500
Investing activities					
Proceeds from sale of marketable securities held for trading	**205**	566	**-**	78	772
Proceeds from (investments in) deposits, net	**1,264**	(2,006)	**230**	(2,000)	(2,271)
Investment in fixed assets	**(1,081)**	(474)	**(92)**	(97)	(608)
Proceeds from sale of fixed assets	**30**	11	**12**	10	27
Cash flows generated from (used for) investing activities	**418**	(1,903)	**150**	(2,009)	(2,080)
Financing activities					
Repayment of loan	**(170)**	(264)	**(57)**	(88)	(1,353)
Payment of contingent consideration	**(159)**	(143)	**-**	-	(143)
Cash flows used for financing activities	**(329)**	(407)	**(57)**	(88)	(1,496)
Net increase (decrease) in cash and cash equivalents	**5,550**	(358)	**2,836**	(1,918)	(1,076)
Cash and cash equivalents at beginning of the period	**4,692**	5,883	**7,409**	7,446	5,883
Effect of exchange rate fluctuations on cash held	**(20)**	(77)	**(23)**	(80)	(115)
Cash and cash equivalents at end of the period	**10,222**	5,448	**10,222**	5,448	4,692

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1 - General

Payton Planar Magnetics Ltd. ("the Company") was incorporated in December 1992. The address of the Company's registered office is 3 Ha'avoda Street, Ness-Ziona, Israel. The Company is a subsidiary of Payton Industries Ltd. (the "Parent Company"). The securities of the Company are registered for trade on the Euronext stock exchange in Brussels.

The condensed consolidated interim financial statements of the Group as at September 30, 2015 comprise the Company and its subsidiaries (together referred as the "Group").

The Group develops, manufactures and markets planar and conventional transformers and operates abroad through its subsidiaries and distributors.

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at December 31, 2014 (hereinafter "annual financial statements").
These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on November 23, 2015.

B. Use of estimates and judgments

The preparation of interim financial statements in accordance to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

Note 3 - Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

Note 4 - Fixed Assets

On March 9, 2015 Himag Planar Magnetics (hereinafter: “Himag Planar”), a fully owned subsidiary of the Company, purchased an industrial property in Gloucester, UK, the same property that Himag Planar used previously to rent. The property area is of 607m² and its total cost amounts to GBP 435 thousand (USD 663 thousand).
This purchase was financed by an intercompany loan, given by the Company to Himag Planar.

Note 5 - Events in the Reporting Period

A. On August 18, 2015 the Company’s Board of Directors approved to repay the remaining balance of the bank loan, with no penalty, on its next exit point, dated October 2015. Therefore, as at September 30, 2015, the balance of this loan in the amount of USD 1,600 thousand, is presented under Current Liabilities.

B. On September 8, 2015 the court ruled to strike out a third party notice that had been filed on July 8, 2015 against the Company in the framework of a claim in the amount of NIS 170 thousand (about USD 45 thousand) that had been filed against a third party and an insurance company.

Note 6 - Financial Instruments

Fair value
The carrying amounts of financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, deposits, trade payables, other payables, derivative instruments and liabilities to bank and others are the same or proximate to their fair value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	September 30, 2015		
	Level 1	**Level 3**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	$ thousands	**$ thousands**	**$ thousands**
Contingent consideration liability	**-**	**223**	**223**

Note 6 - Financial Instruments (cont'd)

	September 30, 2014		
	Level 1	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	$ thousands	$ thousands	$ thousands
Marketable securities held for trading	415	-	415
Contingent consideration liability	-	331	331

	December 31, 2014		
	Level 1	Level 3	Total
	(Audited)	(Audited)	(Audited)
	$ thousands	$ thousands	$ thousands
Marketable securities held for trading	208	-	208
Contingent consideration liability	-	362	362

Further to Note 16E to the annual financial statements regarding commitments, contingent liabilities and liens, the fair value of contingent consideration liability is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). The liability is discounted to present value using the market interest rate at the reporting date.

Significant unobservable inputs include the expected annual sales turnover and the discount rate (14%). The estimate of fair value will increase as the expected annual sales turnover increases and the discount rate decreases.
As at September 30, 2015, the fair value of the contingent consideration liability has decreased to USD 223 thousand, following a payment of USD 159 thousand referring to year 2014. On the other hand, an increase, that reflects the changes related to the time value of the liability, has been recognized as financing expenses in the statement of comprehensive income, in the amount of USD 20 thousand and USD 7 thousand for the nine-month and three-month periods ended September 30, 2015, respectively.

A change in one of the unobservable inputs will affect the estimated fair value of the contingent consideration liability as of September 30, 2015, as follows:
1. A decrease of 5% in the discount rate will cause in an increase of USD 1 thousand.
2. An increase of 5% in the expected annual sales turnover will cause in an increase of USD 8 thousand.

A change in these unobservable inputs at the same opposite rate will have the equal but opposite effect on the fair value of the contingent consideration.

Note 7 - Subsequent Events

On November 23, 2015, the Company's Board of Directors decided to pay the members an interim dividend on account of the dividend for the financial year 2015, at the amount of USD 3,092 thousand (USD 0.175 per share, to be paid on January 14, 2016).