SARINE TECHNOLOGIES LTD.

INSPIRE CONFIDENCE

SARINE TECHNOLOGIES LTD. • ANNUAL REPORT 2015

Contents

Corporate Profile

Sarine Technologies Ltd. develops, manufactures, markets and sells precision technology products for the processing and trade of diamonds and gemstones.

Our products and services provide industry-leading automated solutions for every stage of the rough diamond manufacturing process, from high-precision geometrical modelling and internal inclusion mapping of the rough stone, through determining the optimally derivable polished gems, based on true dollar value, through laser cutting and shaping, to the inline quality control of the actual making and faceting of the polished jewel.

Our DiaExpert™ family of platforms (DiaExpert™, DiaExpert™ Atom, DiaExpert™ Nano 6.5, DiaExpert™ XL, DiaExpert-Eye™, DiaScan™ S+, DiaMobile™ XL and DiaMark™ Z) and the Advisor™ software are the de-facto worldwide standard for planning the optimal utilisation of rough diamonds. Our systems assist the manufacturer in cutting and polishing rough stones so as to achieve maximum value, based on three of the four C parameters which can be meaningfully optimised by the process, namely Carat weight, Cut quality and Clarity grade (using inclusion mapping input form the Galaxy™ family of systems or the DiaExpert™ Eye).

The revolutionary and still unmatched Galaxy™ family of internal inclusion mapping systems for rough diamonds, based on revolutionary and unique (patented / patent-pending) technology comprises the Galaxy™ 1000 / 2000 systems for diamonds 2.5 to 20+ carats in size, the Galaxy™ XL for large stones up to 200+ carats, the Solaris™ for small stones from .90 to 2.5 carats in weight and the newly introduced (2015) Meteor™ for even smaller rough stones 0.20 to 0.90 carats in size. The Galaxy™ Ultra provides high resolution scanning, which offers microscopic-level, fully automatic, fast and comprehensive identification and mapping of inclusions at single-micron accuracy, allowing for the more confident planning of internally flawless (IF) and VVS1 polished diamonds. All these products enable the automated prediction of the Clarity of the Advisor™-planned polished stones, so as to truly optimise the dollar return derived from the processed rough diamonds. To allow the industry to fully benefit from this cutting edge technology, we offer per-carat inclusion scanning services at wholly-owned or affiliated service centres in all the major diamond trading and polishing centres: Mumbai and Surat (India), Ramat-Gan (Israel), Antwerp (Belgium), Moscow, Johannesburg, Gaborone (Botswana), Windhoek (Namibia) and New York.

Our 3rd-generation Quazer™ 3 green-laser system and the Strategist™ setup station are, together, the industry's most cost-effective high-end solution for the laser cutting and shaping of rough diamonds. The new Quazer™ 3's main advantage is its ability to perform complicated cutting like pie sawing with a single setup (single gluing), giving more accurate results and saving time. Rough diamond cutting and shaping services are also offered as a per-carat service at various locations in India, Israel and southern Africa, in wholly-owned or affiliated service centres.

The combination of these technologies has redefined the art of polishing diamonds. They have not only pushed the optimally achieved yield of the polished stone(s) weight from 40-42% of the rough stone's weight to over 50%, a 25% benefit, but also allow the manufacturer to select planning options which best suit the actual markets at any given time, trading off between weight (size – more sought in US markets) and quality (Clarity – more sought in Far Eastern markets).

Similarly, the just-launched Allegro™ system does much the same as the above-described systems, using appropriately adapted technology, for non-diamond gemstones. The system models the rough gemstone, plans the optimal shaped polished stone and cuts it as well. As clarity is less critical for coloured gemstones, there is no inclusion mapping stage, and the actual cutting uses non-laser technology, as it is more affordable and equally amenable to the softer gemstones processed. We have here too demonstrated significant yield improvements of up to 25%, depending on the processed rough stone's initial size.

We also aid in key aspects of the polished diamond trade - the grading of a polished diamond's Cut and light performance and the provision of tools that simplify the online trade and enhance the in-store buying experience.

Our DiaMension™ family of products launched in 1992 for the accurate measurement of a polished diamond's proportions, in order to derive the Cut and Symmetry grades, are used in all leading gemmological institutes worldwide. The DiaMension™ HD (High Definition) is one of the industry's leading and best-selling solutions for proportion measurements and Cut grading worldwide. The newest DiaMension™, the Axiom, is based on completely new technology with micron level accuracy, developed to meet and exceed Tiffany & Company's most stringent requirements. It has also become the standard for Cut and Symmetry grading at leading manufacturers and gem labs worldwide. Our polished stone proportion measurement and Cut/Symmetry grading systems operate using the Instructor™ software package. Our original DiaVision™ software (discontinued in 2015 with the release of the Instructor™ 3.5) was the first proportion and Cut grading software which was thoroughly evaluated by the Gemological Institute of America (GIA) in an extensive testing program and was qualified as being accurate in excess of 98% of the tested cases. It, and the subsequently introduced Instructor™, have been adopted by the GIA as one of their standard software packages for use in their Cut grading systems.

Our Instructor™ software also assists in the real-time quality control and optimising of the diamond's faceting, by proposing corrections to deviations from the optimal polishing solution, including unique asymmetrical solutions, in order to optimise weight (Carat) vs. proportion (Cut) trade-offs.

The recognition that imaging technologies have become essential marketing and sale tools with the capacity to "show and tell" the polished gem, as well as branding it and differentiating it from the commoditised standard cuts and stones, has become near-ubiquitous amongst e-tailers and retailers alike. Dry tabular non-intuitive data, as formulated in the historic four C's, no longer appeal, nor convince, the younger generation of internet-savvy buyers. We have thus pioneered the Sarine Profile™ which provides succinct image and video information pertaining to the offered diamonds' quality and beauty. We believe that doing so will enable online transactions with a completely new level of confidence, while reducing costs for both seller and buyer. The Sarine Profile™ will also enhance the in-store buying experience by empowering the consumer to make a truly informed decision, while allowing chains to offer any stone from their entire (virtual) inventory, regardless of its physically being in the specific outlet or not. The Sarine Profile™ is unique in that it offers each retailer, whether online or brick and mortar, to select its preferred imagery from a toolbox of options including the various levels of imagery produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, hearts and arrows graphics, Cut proportions graphics, laser inscription viewing, etc., all as derived from our diverse cutting-edge systems described below, along with other user-provided data, such as the stone's gemmological laboratory report, retailer promotional material, etc.

The systems that have been developed to provide these varied data and assist in the sale of diamonds and jewellery both in stores and online are:

(a) The DiaScribe™ system for inscribing polished diamonds with distinct marks such as text, numerals and symbols, whether for branding, personalisation or simply recording the stone's certificate number.

(b) The Sarine Light™, a system that enables the automatic, accurate, consistent and quantified measurement of a polished diamond's appearance (light performance), in order to add another means by which to value the diamond and its consumer appeal:
  Brilliance - the intense bright light that shines from the diamond
  Sparkle - the dramatic flashes that burst out of the diamond as it moves
  Fire - the vivid colours of the rainbow that radiate from within the diamond
  Light symmetry - the equal distribution of light that reflects from the diamond

(c) The Sarine Loupe™ imaging system, which creates high-quality multi-level video imagery, so that a potential buyer of a polished diamond, whether a qualified wholesale trader or a consumer, can truly assess both its beauty and internal features without having the polished diamond physically in hand. At the highest level, Real View, the buyer sees the stone under 3-5 times magnification (depending on the stone's actual size), allowing him/her to assess its true appearance and beauty, while also verifying, by observing its inclusions, just how eye-clean the stone is. At the next level, Top Inspection, imaged at 5-10 times magnification, the buyer can accurately assess the stone's Cut and Clarity by inspecting the stone in detail, as viewed through its table. Finally, using 3-D Inspection, with optional virtual zoom, the buyer can inspect the stone at up to 40 times magnification, from virtually 360 degrees in all axes, even better than through a conventional loupe, and truly scrutinise even its minutest details.

Additional technologies which will further enhance the polished diamond's trade's transparency and provide supplementary data are in development, including, for example, the announced "fingerprinting" and fine-sorting of a diamond's Clarity in accordance with industry accepted sub-grades pertaining to the diamond's actual appearance (e.g., "eye-clean", "no black inclusions", "no inclusions under the table").

Our Milestones

2015 Sarine shares held by founding entities distributed vertically to next level, without effecting any change in beneficial holdings. Similarly, no change in directors' beneficial holdings was effected.

HRD Antwerp, the leading Belgian gemmological laboratory owned and operated by the Antwerp World Diamond Center (AWDC), and Sarine announce plans to facilitate interoperability between Sarine's Advisor™ diamond planning software and HRD Antwerp's EOS Fancy bruting and girdling (i.e., shaping) systems.

Gemological Science International (GSI) adopts Sarine's DiaMension™ Axiom as a high-end proportion measuring system. Gemological Institute of America (GIA) verifies Sarine's DiaMension™ Axiom's unmatched accuracy as per announced specifications and adopts Instructor™ as standard software package for polished diamond proportion measuring and Cut grade derivation.

Sarine pioneers the Sarine Profile™, offering succinct image and video information of diamonds' quality and beauty to enable online transactions with a completely new level of confidence and cost effectiveness and enhancing the in-store buying experience by empowering the consumer to make a truly informed decision. Sarine Profile™ allows jewellery chains to offer any stone from their entire (virtual) inventory, regardless of its availability in a specific outlet. The Sarine Profile™ is unique in that it offers each retailer, whether online or brick and mortar, to select its preferred imagery from a toolbox of options including the various levels of imagery produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, hearts and arrows graphics, Cut proportions graphics laser inscription viewing, and the like.

Sarine Loupe™ service centres open in Los Angeles and Hong Kong in collaboration with Brink's Global Services.

Rosy Blue, a leading international manufacturer of high quality polished diamonds and finished jewellery, announces the upgrading of its worldwide manufacturing facilities to Sarine systems only, replacing all inclusion mapping, rough planning, proportion measurement and grading equipment of other equipment vendors.

Sarine celebrates 10 million stones being scanned by its Galaxy™ inclusion mapping solution since the system's introduction in 2009.

Gemological Science International (GSI) decides to incorporate into its polished diamond grading and education services the full Sarine Profile™, including deriving the stone's light performance grade based on Sarine Light™-measured data, providing the Sarine Loupe™ imaging and incorporating detailed Hearts and Arrows and Cut proportions graphic renditions, as provided by the DiaMension™ HD.

Sarine releases the Advisor™ 6.0 planning software, with additional features and a new level of intellectual property protection based on the utilisation of cloud architecture, constituting an additional layer in the penetration barrier to would-be competition to our industry-leading rough diamond processing solutions.

Sarine launches the Meteor™ small stone inclusion mapping system, for stones ranging from 20 to 89 points, an addressable segment of some 50 million stones annually, capable of almost double the throughput of previously introduced inclusion mapping systems of the Galaxy™ family, thus further narrowing the window of opportunity for our would-be competition.

Sarine India opens the first Allegro™ service centre in Jaipur, India. The Allegro™ high-speed and highly accurate system processes non-diamond gemstones, transforming the rough stone directly into a fully-shaped (un-faceted) gem, at a lower cost to the manufacturer, with significant added yield in polished gem weight, higher accuracy in adherence to standard gem sizes and essentially no human error.

2014 The English spelling of the Company's name is corrected to Sarine Technologies Limited.

Sarine launches the Instructor™ 3.0, a new and significantly enhanced version of its polished-diamond quality assurance and polishing process control software. The new software runs on Sarine's rough and polished diamond modeling platforms and significantly improves the accuracy of polished diamond modeling, in particular for fancy-shaped diamonds, and the tools provided for in-process polishing decisions.

Sarine launches the Quazer™ 3, offering a completely new control system with unique advantages, including an enhanced fully automated pie cutting feature, facilitating accurate sawing of highly advanced sawing profiles. The Quazer™ 3 supersedes the original Quazer™ and second generation Quazer™ II, introduced in 2005 and 2010 respectively, both based on green laser technology, which themselves pioneered multiple breakthroughs in the sawing, cutting and shaping of rough diamonds and became the de-facto standard high-end market-leading solutions.

Rapaport's RapNet® industry-leading web-based platform selects our subsidiary's Sarine Loupe™ as first de facto standard imaging system and provides enhanced seamless integration to the Sarine Loupe™ imagery to empower online trade.

DiaMension™ Axiom's accuracy is verified by Tiffany & Co, and selected to formalise Tiffany's new and more robust standards of Symmetry. In 2012 Tiffany challenged Sarine to measure the facet symmetry features of a polished diamond with unprecedented high accuracy, as previously these features could not be determined by any existing device and were manually evaluated by gemologists using microscopes. Sarine's DiaMension™ Axiom thus sets a new bar for polished diamond analysis and grading.

Sarine Color Technologies Limited launches Real View, an upgrade to the Sarine Loupe™, adding a stunning rendition of the polished diamond's actual appearance. The enhanced Sarine Loupe™ comprises three complementary layers of imaging. The first provides a dazzling presentation of the diamond's appearance (Real View), the second a table-only view of the diamond, as inspected when using an actual physical loupe (Top Inspection), and the third shows minute details of the diamond's Cut workmanship and internal Clarity characteristics (3-D Inspection).

Sarine North America Inc., Sarine's wholly owned US subsidiary, opens a Sarine Loupe™ service centre for diamond imaging at its offices in New York's Diamond District on 47th Street.

2013 Sarine launches the DiaExpert™ Atom rough planning and marking system for the smallest of rough diamonds – 0.01 through 0.27 carats in size, which offers higher processing speeds and more competitive pricing than the DiaExpert™ Nano system, launched in late 2007.

Sarine's wholly-owned US-based subsidiaries close on the purchase of approximately 500 square meters of office in the new International Gem Tower in New York City (on 47th Street - Diamond Way) for the Group's North American base.

Sarine Color Technologies Limited, a wholly owned subsidiary of Sarine, launches the Sarine Light™ with launch customer CIMA, one of Japan's leading bridal diamond jewellery chains with nearly 60 outlets nationwide, for certification of all its solitaire diamonds measuring one quarter carat and up.

Galatea introduces the Galaxy™ Ultra system for the inclusion scanning of a rough diamond at microscope level magnification. The Ultra enables the detection of inclusions with single-micron resolution, including the detection of clouds of inclusions of single micron size to determine whether a user can achieve an Internally Flawless (IF) Clarity grade.

2012 Sarine launches the Diamond Assay Service (DAS), an online subscription service for diamond wholesalers, retailers and appraisers, to automatically appraise polished diamonds and their potential for re-cutting and re-polishing so as to derive greater value.

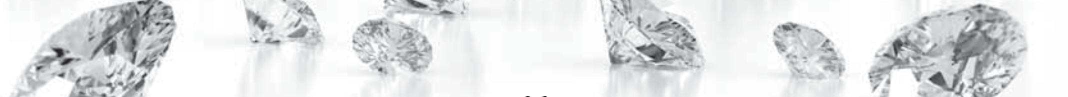
Galatea launches the Galaxy™ XL (denoting Extra Large) system, doubling the size of rough diamonds that can be scanned for internal inclusion mapping purposes to 32mm, allowing rough diamonds weighing up to 200+ (record 220) carats to be processed.

The Gemological Institute of America (GIA) concludes that the DiaMension™ HD (High Definition) has the necessary accuracy and repeatability to be used to evaluate symmetry. The GIA found that "[the] DiaMension™ HD tested by GIA, demonstrated an apt capacity to deliver accurate and repeatable symmetry results" and that "improvements in the operation and accuracy … now enable us to also measure … symmetry parameters during the grading process".

Sarin Technologies India Private Limited purchases land measuring approximately 2,400 square meters in Surat, Gujarat, India for its new facilities for customer service and technical support and training, as well as its service centres and other logistics infrastructure.

Sarine launches the Advisor™ 5.0 version of its best-selling rough-diamond planning software to further improve the value of the polished diamonds derivable from the rough raw material and the software's productivity and ease of operation.

2011 The American Gem Society Laboratory ("AGSL") concludes an evaluation of the DiaMension™ HD and, based on the system's superior performance in 3D modeling of polished diamonds, decides to augment its existing DiaMension™ systems with the newer HD model.



Our Milestones

Sarine Color Technologies Limited, a wholly-owned subsidiary of Sarine, debuts its light performance system, the Sarine Light™, which quantifies a polished diamond's appearance by accurately measuring its light performance characteristics.

Sarine launches the DiaMark™HD system, equipped with a super-fine laser, complementing the DiaMension™HD and Instructor™.

Sarine Color Technologies Limited, a wholly owned subsidiary of Sarine, acquires the D-See technology, a revolutionary imaging method to capture realistic, accurate and objective imagery of a polished diamond, including its internal features. Derived from this technology, the Sarine Loupe™ system enables the electronic transmission of comprehensive imagery from seller to buyer, providing a means to truly assess a polished diamond from a multitude of angles and at various magnifications without having it physically in hand.

2010 The Gemological Institute of America (GIA) concludes an in-depth comparative evaluation between their internal methods of round brilliant diamond Cut grade determination and Sarine's implementation of the Facetware® database in Sarine's measuring systems, which shows highly compatible results between the two methods. Following on this achievement, GIA also concluded an initial evaluation of the DiaMension™ HD system and commenced the phased upgrading of their existing DiaMension™ systems to the newer HD product.

Sarine launches the DiaExpert™ Nano 6.5 for the fast processing of small rough diamonds from 0.15 to 0.70 carats in weight, an enhanced model of the DiaExpert™ Nano, introduced in 2007, for slightly larger small stones.

Galatea, a wholly owned subsidiary of Sarine, launches the Solaris™ 100 inclusion mapping system for smaller rough diamonds, based on the same technology utilised in the Galaxy™ 1000 system, to offer customers who specialise in smaller sized rough diamonds, the same benefits of the Galaxy™ system in a more cost-effective package.

Sarine launches the Strategist™ saw-plane planning system, which integrates the rough planning, and, specifically, its saw-plane planning process, and the actual Quazer™ sawing process, into a computer controlled and coordinated process, to help avoid sawing perils such as cracks, fissures and bubbles, and allowing for a safer and higher yield laser cutting plan.

Sarine Color Technologies Limited, a wholly owned subsidiary of Sarine, acquires light performance technology (LPT) from Overseas Diamonds Technology.

2009 Galatea, a wholly-owned subsidiary of Sarine, launches the Galaxy™ 1000 and 2000 systems for the automated inclusion mapping of rough diamonds. These systems revolutionise the planning and production of diamonds by allowing complete optimisation based on Clarity as well as Carat weight and Cut, a leap forward from the DiaExpert™ Eye. Service centres are opened in India and Israel, in which the technology is offered for use at a low carat-based fee. An initial system is delivered to a launch customer towards year's end.

Sarine launches the Instructor™, a new software package that runs on our polished diamond measuring equipment (DiaMension™, DiaMension™ Lab Edition, DiaMension™ HD and DiaScan™ S+), for improving the yield and assuring the quality manufacturers can attain while polishing diamonds.

Sarine launches the DiaMension™ HD, an advanced high-precision system, offering even more accurate 3D modelling for the measurement of polished and semi-polished diamonds. The precise 3D model allows users to evaluate not only the diamond's proportions, but also the stone's symmetry – including "naturals", facet misalignments, facet junctures, extra facets, and other fine cut and symmetry parameters.

2008 Sarine acquires 100% of the issued share capital of Galatea Limited, which then becomes a wholly-owned subsidiary of the Company. At the time of the acquisition, Galatea was in the final testing stages of an automatic inclusion (Clarity) mapping system for rough diamonds, which is later known as the Galaxy™ system.

Sarine acquires 23% of IDEX Online SA, an operator of a B2B polished diamond traders' network, a web portal for news, analyses and polished diamond price indices and publisher of a leading trade magazine. Shortly after the acquisition, IDEX Online launches an attempt to create a polished diamond spot market.

2007 Sarine introduces DiaExpert™ Eye for the semi-automated inclusion charting of rough diamonds, supporting the need for considering inclusions (Clarity) in the planning and production of diamonds.

After Sarine evaluates the important market niche of small stone manufacturers, the DiaExpert™ Nano, a unique product for the planning and marking of small stones, is launched.

2006 Sarine Color Technologies Limited, a wholly owned subsidiary of Sarine, introduces Colibri™. Colibri™ is a state-of-the-art colour grading product for polished diamonds, which calculates and grades the colour of the diamond as well as its fluorescence.

The Group's subsidiaries, GCI and Romedix, are renamed Sarine Color Technologies Limited and Sarine Polishing Technologies Limited, respectively. New subsidiaries, Sarin Hong Kong Limited and SUSNY LLC, are established.

2005 Sarine launches the Quazer™ advanced green-laser system for sawing, cutting and shaping diamonds, establishing a new product line and climbing another rung on the ladder towards being a one-stop shop for the diamond manufacturing industry.

We introduce Facetware®, a software upgrade product for the Company's DiaMension™ and DiaExpert™ product lines (and installed base), for the analysis of a polished stone's Cut grade, in cooperation with the Gemological Institute of America (GIA).

8 APRIL 2005 Sarine Technologies Limited is listed on the Mainboard of the Singapore Exchange.

2004 Sarine Polishing Technologies Limited (formerly known as Romedix) purchases third-party know how and technology used in the development and manufacture of disposable polishing discs for diamonds and gemstones.

Sarin Technologies India Private Limited is incorporated as a wholly owned subsidiary in India. Sarin India provides presale, post-sale and technical support services to our Group's customers in India, Sri Lanka, and neighbouring countries.

2001 Sarine acquires the entire share capital of Gran Computer Industries (subsequently renamed to Sarine Color Technologies Limited), a private company incorporated in Israel. The company develops, manufactures and markets devices for the identification and classification of a diamond's colour.

2000 Sarine introduces the DiaMark™. This product allows the DiaExpert™ product to automatically inscribe, using laser markings on the rough stone's surface, the optimal sawing plane suggested by the DiaExpert™ and accepted by the user.

1996 Sarine introduces the use of laser scanning in order to create three-dimensional concave modelling of rough stones. The ability to accurately complement our modelling with the rough stone's concavities provides the user with a complete and accurate model of the rough stone. This feature is complementary to, and increases the effectiveness of, the DiaExpert™.

1995 Sarine develops the DiaExpert™, an automated computerised planning system for the maximum utilisation of rough stones. The diamond manufacturing industry is revolutionised by the introduction of this computer-based technology which substitutes person-based expertise, and thus contributes to the geographic shift of the diamond industry to new centres of manufacture such as India, PRC and Africa.

1994 The Company is renamed Sarin Technologies Limited.

1992 The DiaMension™, a pioneering grading product for assessing the Cut of polished diamonds, is introduced - an automated computerised product for assessing a diamond's proportions, the key parameter in the grading of a diamond's Cut. A significant advancement for the diamond industry, the DiaMension™ has changed the way polished diamonds are bought and sold by providing accurate means of measuring the proportion, thereby deriving the Cut grade.

1989 Our Company changes its name to Sarin Research, Development and Manufacture (1988) Limited.

1988 Our first product, the Robogem™, an automated production system for producing polished gemstones from rough gemstones, is launched. Robogem™ was sold in limited numbers to semi-precious gemstone manufacturers in Israel, Europe and the Far East (India and Myanmar).

8 NOVEMBER 1988 Our Company is incorporated in Israel as a private company limited by shares under the Companies Ordinance (New Version) 1983 of Israel, under the name of Borimer Limited.

Chairman's Statement

"We believe the Sarine Profile™ will enable online transactions with a completely new level of confidence, while reducing costs for both seller and buyer, and will also enhance the in-store buying experience, by empowering the consumer to make a truly informed decision. It also allows chains to offer any stone from their entire (virtual) inventory, to any customer in any store, regardless of its physically being in that specific outlet or not."

Dear Fellow Shareholders,

Regrettably, 2015 was anything but a record year due to the extreme negative industry conditions, which started manifesting themselves in the last four months of 2014 and peaked mid-year.

The combination of overly aggressive rough diamond pricing, with stagnant polished diamond prices, mostly due to slowing growth in demand from China, in particular, resulted in unsustainably low manufacturer margins. The much higher than normal polished inventory levels at FY2014 year's end, mainly due to pipeline skewing driven by extended certification times, and the aforementioned unsustainable margins, complicated further by reduced working capital credit lines available to our customers, led to polished diamond manufacturing activity dropping significantly, by some 30%, in the first half of FY2015. As a result of ongoing lack of profitability, with rough diamond pricing remaining too high, conditions in the diamond industry polishing and cutting segment (the "midstream") further deteriorated mid-year with DeBeers' sightholders refusing unprecedented quantities of offered diamonds (at some sights up to 80%) and manufacturing activity dropping further to below 50% of normal.

Given this background, with little to no incentive to acquire new technology, our sales of new equipment dropped by some 55% year over year. Galaxy™ family inclusion mapping systems sales, one of our primary growth drivers in the preceding years, faltered for the first three quarters of FY2015, but recovered somewhat in the fourth quarter with the introduction of the Meteor™ system. With deliveries in FY2015 of only 25 Galaxy™ family systems to customers and service centres, just over half the number delivered in 2014, the Group had an installed base of 215 Galaxy™ family systems as of 31 December 2015. The Group's recurring revenue (including Galaxy™-related, Quazer™ services, annual maintenance contracts, etc.) also dropped in FY2015, due to subdued manufacturing activity, but by a lesser 25% and constituted over 45% of overall FY2015 revenues.

Industry conditions improved after the Diwali holiday in November 2015, as solid holiday season sales (an estimated 3% increase year over year in the U.S.) and reduced inventory (in fact actual shortages of polished diamonds), as the result of the aforementioned subdued manufacturing activity throughout 2015, gave rise to 3%-5% increases in polished diamond prices. As of this writing, indications are that the oversupply of polished diamonds, which manifested itself at year end 2014, has been worked through the pipeline, with some analysts pointing to the reduction of more than US$ 5 billion in working capital credit to the industry as a key indicator of this. We have, in fact, witnessed a return to more normal polishing activity in the diamond industry midstream, still our primary customer base. Furthermore, DeBeers lowered their rough diamond prices by an estimated 7%-10% (depending on category) at the January 2016 sight, which, at some US$ 540 million, was the largest in more than half a year, a further indication of renewed midstream activity. The February sight provided further indications of the improving midstream industry conditions. In-plan demand for rough diamonds from DeBeers was some US$ 1 billion, with US$ 610 million actually being sold through all their channels. Other mining companies also experienced strong demand and had successful tenders for their rough diamonds, and demand for rough diamonds in the secondary market was exceptionally strong. We thus expect, barring any unforeseen macro-economic shocks or industry-specific negative developments, that the business conditions prevailing in 2016 will be more beneficial to the Group than those experienced during 2015.

It is to be noted that, despite the very challenging industry conditions, the Group's strategy was to continue with its ongoing research and development and sales and marketing efforts so as to advance its long-term goals. In fact, across almost all product lines, planned milestones were achieved with the Advisor™ 6.0 planning software, Meteor™ small stone inclusion mapping system, Sarine Profile™ and non-diamond gemstone processing Allegro™ system all launching successfully.

Group Performance - Year in Review

Revenues for FY2015 were a disappointing US$ 48.5 million, a decrease of 45% as compared to US$ 87.8 million for FY2014. Gross profit for FY2015 decreased by 47% to US$ 32.5 million, as compared to US$ 61.9 million for FY2014. For FY2015 the Group recorded a gross profit margin of 67%, as compared to 71% in FY2014. Profit from operations for FY2015 decreased by over 83% to only US$ 5.5 million, as compared to US$ 32.9 million in FY2014, as the Group's strategy was to continue with its ongoing research and development and sales and marketing efforts, as noted above. The Group thus recorded an operating margin for FY2015 of only 11%, as compared to an operating margin of 38% for FY2014. For FY2015 the Group reported a net profit of a minimal US$ 3.6 million, 87% less than the net profit of US$ 27.2 million for FY2014, and a net profit margin of only 7%, as compared to 31% for FY2014. All these less than desirable financial results were a direct result of the extremely challenging industry conditions in 2015, as detailed above, coupled with our expenditures in adherence to our stated long-term strategic goals.

Significant Events in 2015

- Release of the Advisor™ 6.0 planning software, with significant additional features, adding to our planning software's value proposition and bolstering our industry-leading status, and a new level of intellectual property protection based on the utilisation of cloud computing architecture. Thus, we have added an additional layer of security to the penetration barrier to would be competition for our industry-leading integrative rough diamond processing solutions.

- Introduction of the Meteor™ small stone inclusion mapping system, for stones ranging from 20 to 89 points, an addressable segment of some 50 million stones annually. This new member of our inclusion mapping systems family, now offered to our customers in the midsteam, even at its accelerated throughput (almost double the throughput of previously introduced inclusion mapping systems of the Galaxy™ family), expands our addressable market by a factor of three! Furthermore, by taking the technology down to the next tier of rough diamonds, we believe we have further narrowed the window of opportunity for our would-be competition.

- Sarine Profile™ launched in trial programs with leading industry players – gem labs, wholesalers and retailers in the U.S., both on the national and regional levels, as well as in the Far East, Australia and Mexico. We believe the Sarine Profile™ will enable online transactions with a completely new level of confidence, while reducing costs for both seller and buyer, and will also enhance the in-store buying experience, by empowering the consumer to make a truly informed decision. It also allows chains to offer any stone from their entire (virtual) inventory, to any customer in any store, regardless of its physically being in that specific outlet or not.

- Opening of the initial Allegro™ high-speed and highly accurate non-diamond gemstones processing system, which transforms the rough stone directly into a fully-shaped (unfaceted) gem, service centre in India.

Chairman's Statement

Galaxy™ 1000

Across almost all product lines, planned milestones were achieved with the Advisor™ 6.0 planning software, Meteor™ small stone inclusion mapping system, Sarine Profile™ and non-diamond gemstone processing Allegro™ system all launching successfully.

Looking Ahead to 2016

Going into 2016, industry conditions are markedly better than in late 2014 and throughout 2015:

- Rough prices have been discounted some 20% – 25% over the past year;
- Polished prices are up some 3% – 5% (U.S. Census Bureau data show a January increase in diamond jewellery prices of some 7% year over year);
- Inventories are down significantly with actual shortages in many categories of polished diamonds over 15 – 20 points;
- Midstream manufacturing margins are back in the black, by some accounts by as much as 10%; and
- Overall bank credit to the industry is down some 25%, alleviating liquidity issues.

Market conditions permitting, we expect to realise accelerated sales of our Galaxy™ line of products and services, as we have now successfully introduced the Meteor™ for smaller rough stones between 20 points (a fifth of a carat) and 89 points, complementing our product line of systems now capable of processing stones from 0.20 up to 200 carats rough (the Meteor™, Solaris™, Galaxy™ and Galaxy™ XL products), an addressable market of some 65 million stones annually, along with optional high-resolution scanning (the Galaxy™ Ultra). We continue to closely monitor our would-be competitors from among the other technology suppliers to the industry, and, to the best of our knowledge, there have been no material developments throughout 2015 or in the initial months of this year. We have become aware of clandestine efforts by a lone player in India who operates a number of devices, which seemingly replicate, in whole or in part, the core processes of our inclusion-mapping for Galaxy™-sized stones, without our crucial cloud-protected image processing, without high resolution scanning and without the ability to interface with our latest cloud-protected Advisor™ planning software. We estimate that the throughput of these devices is, in aggregate, less than 5% of the stone quantities regularly scanned by our Galaxy™ systems and have been led to understand that the results are of inferior quality. The Group is pursuing the various legal channels available to it to enforce its intellectual property rights in this regard. Together with our expansive installed base of industry-leading planning systems, we believe our competitive edge has, in fact, improved over the past year, having introduced the Meteor™ and the cloud protection for the Advisor™.

Additionally, we have started gaining traction in our polished diamond offerings. Our Sarine Profile™ has been launched in programs with leading industry players – gem labs, wholesalers and retailers in the U.S., both on the national and regional levels, with generally positive feedback, as well as in the Far East (Japan, China, Hong Kong, Singapore and Korea), Australia and Mexico. Some of these pilot programs are, admittedly, very limited in scope, but we believe we are introducing a new concept, with broader capabilities than other offerings, which requires educating the market to its benefits. There is, indeed, growing recognition that imaging technologies are essential marketing and sales tools with the capacity to "show and tell" the polished gem, as well as branding it and differentiating it from the commoditised standard cuts and stones, amongst e-tailers and retailers alike. Dry tabular non-intuitive data, as formulated in the historic four C's, no longer appeal, nor convince, the younger generation of internet-savvy buyers. The Sarine Profile™ is unique in that it allows each retailer, whether online or brick and mortar, to select its preferred imagery from a toolbox of options including the various levels of imagery produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, and hearts and arrows graphics, Cut proportions graphics, laser inscription viewing, etc., all as derived from our DiaMension™ Axiom, DiaMension™ HD and DiaScribe™ systems, along with other user-provided data, such as the stone's gemmological laboratory report, retailer promotional material, etc. We believe the Sarine Profile™ will enable online transactions with a completely new level of confidence, while reducing costs for both seller and buyer, and will also enhance the in-store buying experience, by empowering the consumer to make a truly informed decision. It also allows chains to offer any stone from their entire (virtual) inventory, to any customer in any store, regardless of its physically being in that specific outlet or not. We continue to initiate pilot programs with additional customers and additional programs with satisfied customers. Additional technologies which will further enhance the polished diamond's trade's transparency and provide supplementary data are in development, including, for example, the announced "fingerprinting" and fine-sorting of a diamond's Clarity in accordance with industry accepted sub-grades pertaining to the diamond's actual appearance (e.g., "eye-clean", "no black inclusions", "no inclusions under the table"). We expect these services' volumes, offered on a per-stone basis with the charge based on the selected options from our diverse toolkit, thus generating an additional recurrent revenue stream, to continue to increase throughout 2016.

Finally, we have opened our first two service centres for the Allegro™ processing of non-diamond gemstones in India and Israel, in which we provide inexpensive (equating or below the cost of manual manufacturing) per-stone processing services. The Allegro™ is a high-speed and highly accurate system, which processes non-diamond gemstones and transforms the preformed (i.e., the initial suggested location of the table has been manually identified for colour optimisation) stone directly into a fully-shaped (unfaceted) gem. It thus comprises the functionality of our rough diamond planning systems along with (non-laser) cutting and shaping abilities, to provide extremely accurately sized stones, with minimal weight loss, high throughput and virtually no human error. Furthermore, the machine is configurable to process gems according to varying market preferences. When measured by the number of stones produced annually, the manufacturing market for non-diamond gemstones is significantly larger in volume than that of diamonds, albeit not by dollar value, of course. We expect to expand our presence in 2016 in India, as well as to additional relevant gemstone processing geographies (e.g., Sri Lanka, South America). We expect this venture to start contributing to our revenues and to create a new recurrent revenue stream.

We will focus our R&D efforts primarily on:

- Enhancement of the Sarine Loupe™ platform to support additional shapes and sizes of polished stones, as well as to develop additional capabilities relating to key characteristics of the polished diamond;

- Enhancement of our Sarine Profile™ in order to provide additional optional imagery, video and other relevant information for enhanced customer branding of their jewellery lines;

- Expansion of our Cloud-based infrastructure for the Sarine Profile™, in order to facilitate enhanced downloading and provide for the information management requisite to the continued worldwide rollout of the service; and

- Upgrading of the Allegro™ system, launched in late 2015, for additional accuracy and higher throughout.

Dividend

The Board of Directors has recommended that a final ordinary dividend of US 1.5 cents per share (approximately US$ 5.2 million) be distributed for FY2015. This will bring total dividends for FY2015 to US 3.0 cents per share, approximately US$ 10.4 million. This is just under three times the net profit for the year.

The Board believes the worst of the industry downturn is behind us. However, the extent and speed of the recovery are not yet clear, nor are the possible effects on our business results of current instabilities in the equity markets and the conversion rates of currencies in our primary markets. Therefore, for FY2016, the Board of Directors has decided to reduce the 2015 declared dividend policy of US cents 2.5 every six months, which was, regrettably, not paid, due to the very challenging industry conditions last year, back to the 2014 dividend policy of US cents 2.0 every six months, subject to semi-annual Board approval, the Annual General Meeting's approval of the final dividend and subject to business conditions, financial results, other pre-empting uses of funds, statutory and tax issues, etc.

Acknowledgements

On behalf of the Board of Directors, I would like to again thank our ever-growing circle of customers, conscientious suppliers and business partners, and devoted management team and employees for their ongoing support of and dedication to the Group. We believe that these long-term relationships, which we have nurtured, have helped us weather the very stormy industry conditions of 2015, and will continue to foster the means by which we will bring innovation and value to the global rough and polished diamond trade in 2016 and beyond, as we inspire confidence in the industry's players, its global consumers and in our loyal shareholders.

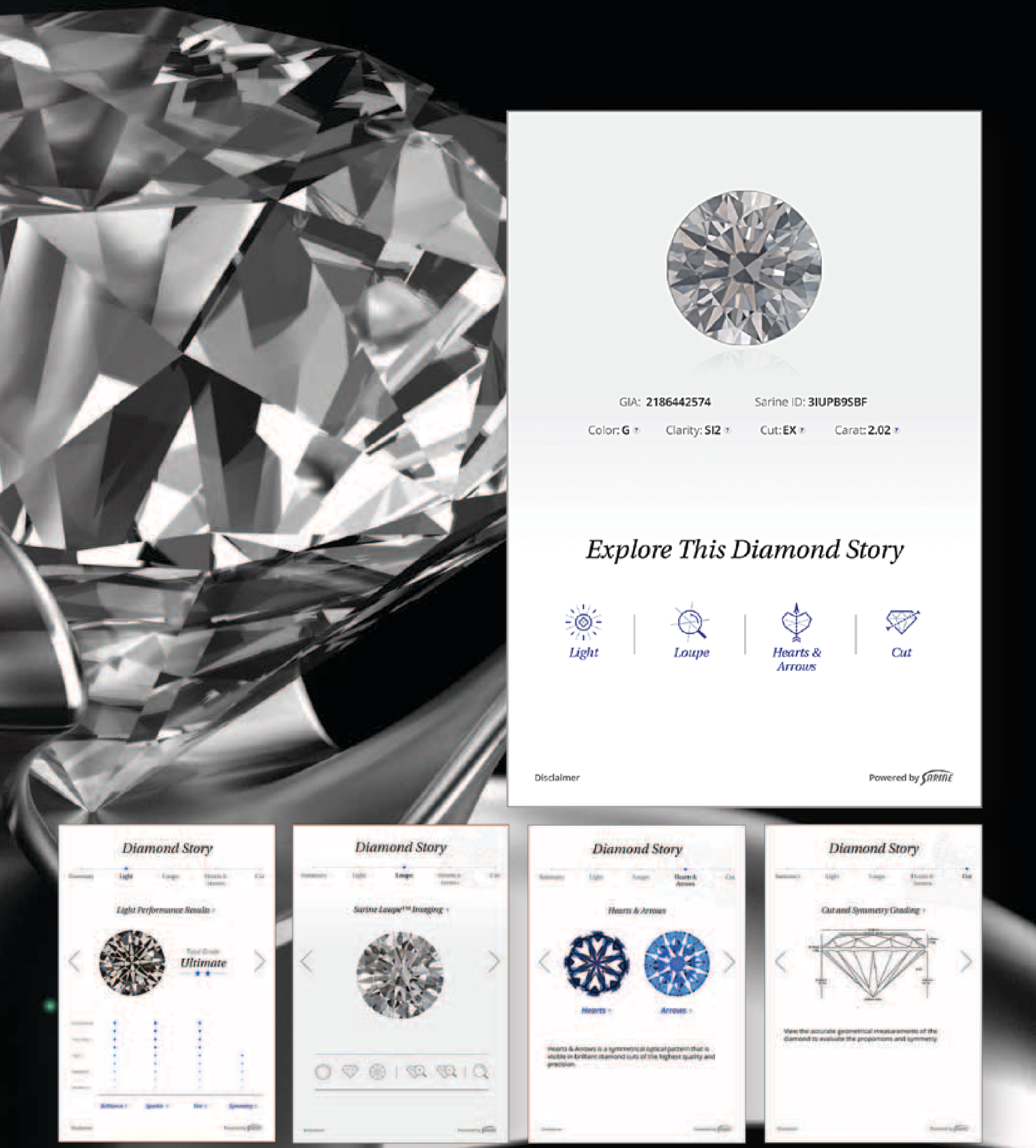
Respectfully Yours,

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman

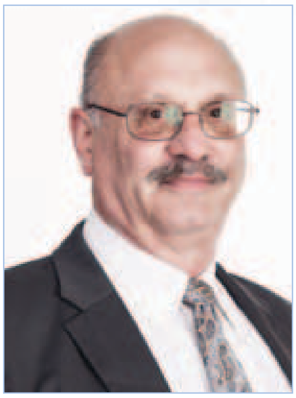
Visual Tools for B2B and B2C

Sarine Profile



Sarine Profile main launch screen and its four optional links, depending on customers' choices – light performance, visualisation, Hearts and Arrows and Cut / proportions

Board of Directors




1 DANIEL BENJAMIN GLINERT
Executive Director and Chairman of the Board

Daniel Benjamin Glinert has been an Executive Director and the Chairman of the Board of the Group since 1999. He is also a Director in the Group's subsidiary, Sarin Hong Kong. Mr. Glinert holds a Bachelor's degree in Computer Sciences (cum laude) from the Technion - Israel Institute of Technology. He has over 40 years of experience in various high-technology industries (software for military, semiconductor, medical and industrial applications) in research, development and management positions in Israel and the USA. Mr. Glinert founded Interhightech Ltd. (then named TICI Software Systems, Ltd.) in 1982 and was its CEO and then Chairman since its inception. Prior to that, from 1977 through 1982 Mr. Glinert worked for E-Systems Inc. (now a division of Raytheon) on a development program for the Israel Air Force, which was awarded the prestigious Israel Defence Award. From 1972 to 1977 Mr. Glinert served in the Israel Air Force and was honourably discharged with the rank of Major.

2 UZI LEVAMI
Executive Director and CEO

Uzi Levami has been CEO of the Group since February 2009 and an Executive Director since December 2008. He is also a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarin Hong Kong, Sarine Holdings USA, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. Mr. Levami completed his studies towards a Master's degree in Computer Sciences from the Weizmann Institute of Science and holds a Bachelor's degree in Electrical Engineering (cum laude) from the Technion - Israel Institute of Technology. He is one of the original founders of Sarine and has a long history of founding high-tech companies (Compulite Ltd., Shalev Computer Systems Ltd. and EquipNet Ltd., a start-up spin-off of Interhightech (1982) Ltd.). Prior to becoming CEO of the Group, Mr. Levami held the position of Director of Business Development at MKS Instruments Inc., a publicly-traded US company supplying in excess of $700M of capital equipment to the semiconductor industry, after the company he founded, EquipNet Ltd., was acquired by MKS. In 1992, while at Shalev Computer Systems, Mr. Levami was personally awarded the prestigious Israel Defence Award by then President Chaim Herzog for his endeavours on a development project for the Israel Defence Forces. From 1973 to 1980 Mr. Levami served in the Israel Defence Forces and attained the rank of Major.

3 EYAL MASHIAH
Executive Director

Eyal Mashiah is an Executive Director of the Group, appointed to the Board in 1994. He was appointed an Executive Director in December 2008. He is also a Director in the Group's subsidiary, Sarin Hong Kong. He has over 30 years of experience in the diamond and gemstone industries. Mr. Mashiah is the founder and Chairman of Novel Collection Limited (formerly Biram Diamonds Limited), a global leading fancy coloured diamond manufacturer and dealer with offices worldwide in Israel, New York and Los Angeles in the USA, Hong Kong, Beijing and Shanghai in China, Belgium and Thailand. Prior to that, he was involved in the manufacturing, marketing and trading of precious gemstones at Icam-Gems Limited (1982 - 1983), at Algem Limited (1983 - 1987) and at Ramgem Limited (1987 - 2006). Mr. Mashiah also initiated, and is a director in, a unique investment fund, the Novel Fund based in Hong Kong, which allows accredited investors to invest in and benefit from the appreciation in price of unique high-value specially selected polished diamonds. In addition to these industry-related activities, Mr. Mashiah has also been promoting, executing and operating real-estate projects in Israel for more than twenty years.

4 AVRAHAM ESHED
Non-Executive Director

Avraham Eshed is a Non-Executive Director of the Group, having been appointed to the Board in April 2006. Between 2010 and 2014, when he resigned from his position as an Executive Director due to other commitments, Mr. Eshed was an Executive Director of the Group. Mr. Eshed has over 40 years of experience in the diamond and gemstone industries. He is the founder of Gemstar Ltd. and Eshed Diam Ltd., and serves as the President of both companies. Mr. Eshed is also a founding member of the International Colored Gemstone Association (ICA) where he served as a Director. He is President of the Israel Emerald Cutters Association and the Vice President of the Israel Diamond Manufacturers Association (IsDMA) as well as a member of its Executive Committee. Mr. Eshed has been recognised as an outstanding exporter by the State of Israel and was presented with awards by President Ephraim Katzir in 1977 and again in 1989 by President Chaim Herzog. In 2011 he was recognised and cited as an outstanding exporter to Asia.





5 EHUD HAREL
Non-Executive Director

Ehud Harel is a Non-Executive Director of the Group, appointed to the Board in 2004. He has over 30 years of experience in the gemstone industry, having dealt with the evaluation and purchase of rough stones as well as the wholesale and worldwide distribution of polished gemstones, branching into the manufacturing and dealing of polished diamonds since 2008. Mr. Harel is a member of the Israel Precious Stones and Diamonds Exchange Ltd., as well as a member and acting director in the International Colored Gemstone Association (ICA).

6 HANOH STARK
Non-Executive Director

Hanoh Stark has served on our Board since 1989 and was an Executive Director of the Group until January 2009. He studied Electrical Engineering at the Technion in Milan, Italy. Mr. Stark is a member of the Israeli Diamond & Coloured Stone Bourse and also a member of ICA, the International Colored Gemstone Association. He has over 40 years of experience in the gemstone mining, manufacturing and trading industries, including in the development of technology-based aids and systems.

7 CHAN KAM LOON
Lead Independent Director

Chan Kam Loon is an Independent Director of the Group and was appointed to the Board in March 2005. He holds a degree in Accountancy from the London School of Economics and is a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales. From July 2001 to July 2004, Mr. Chan headed the Listings Function of the Markets Group at the Singapore Exchange. Before that he spent ten years in investment banking and in private equity funding within the ASEAN region. Mr. Chan was a member of the Singapore's Accounting Standards Committee, Singapore Zhejiang Business Council and also Singapore Shandong Business Council. Aside from serving on Sarine's board, he is a Non-Executive Independent Director of several other companies listed on the Singapore Exchange.

8 YEHEZKEL PINHAS BLUM
Independent Director

Yehezkel Pinhas Blum is an Independent Director of the Group and was appointed to the Board in March 2005. He holds a Bachelor's degree in Economics and Business Administration from the Bar-Ilan University in Ramat Gan, Israel. As of the end of 2015, in continuation to his having served from 2003 until 2011 for four terms and from 2013 to 2015 for an additional term (between 2011 and 2013 Mr. Blum was subject to a mandatory two-year hiatus), Mr. Blum is a Member of the Board and the Executive Vice President of the Israel Diamond Exchange in Ramat Gan, Israel. He is Chairman of the Banking and Tax committees, responsible for liaison with the various banks operating in the exchange and with the tax authorities pertaining to issues of concern to exchange members (during previous Board memberships he served as a Vice President and the Chairman of various committees, including Budget, Finance and Legal). Prior to that Mr. Blum was Chairman of the Exchange's Audit Committee and a lead Arbitrator in various mediations. He has 30 years of diamond and gemstone manufacturing and trading experience. Prior to that, from 1980 to 1983, he was an economist with the United Mizrachi Bank Ltd and was responsible for managing the bank's economic research unit and advising the bank's management with regard to new investments and business opportunities.

9 VALERIE ONG CHOO LIN
Independent Director

Valerie Ong Choo Lin is an Independent Director of the Group and was appointed to the Board in March 2005. She graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1987 and obtained a Master's in Law (with Distinction) from the London School of Economics in 1991. Ms Ong heads the Corporate Finance Practice at Rodyk & Davidson and has been a practicing lawyer since 1988, specialising in corporate finance (including initial public offerings) and mergers and acquisitions. She is ranked in Chambers Asia Pacific 2016 and has been cited in numerous lawyers' publications, including IFLR1000 Leading Lawyer 2015 for Mergers and Acquisitions. Valerie served on the Singapore Income Tax Board of Review until 2013 and is an Independent Director of Chemical Industries (Far East) Limited (a company listed on the Mainboard of the Singapore Exchange).

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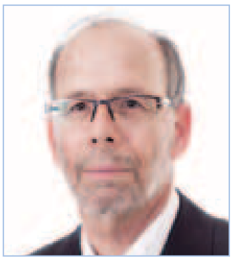
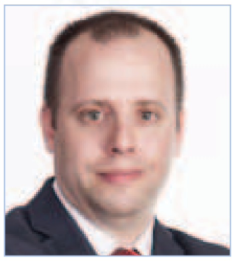
Key Management

1 UZI LEVAMI has been CEO of the Group since February 2009 and an Executive Director since December 2008. He is also a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarin Hong Kong, Sarine Holdings USA, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. Mr. Levami completed his studies towards a Master's degree in Computer Sciences from the Weizmann Institute of Science and holds a Bachelor's degree in Electrical Engineering (cum laude) from the Technion - Israel Institute of Technology. He is one of the original founders of Sarine and has a long history of founding high-tech companies (Compulite Ltd., Shalev Computer Systems Ltd. and EquipNet Ltd., a start-up spin-off of Interhightech (1982) Ltd.). Prior to becoming CEO of the Group Mr. Levami held the position of Director of Business Development at MKS Instruments Inc., a publicly-traded US company supplying in excess of $700M of capital equipment to the semiconductor industry, after the most recent company he founded, EquipNet Ltd., was acquired by MKS. In 1992, while at Shalev Computer Systems, Mr. Levami was personally awarded the prestigious Israel Defence Award by then President Herzog for his endeavours on a development project for the Israel Defence Forces. From 1973 to 1980, Mr. Levami served in the Israel Defence Forces and attained the rank of Major.

2 DAVID BLOCK has been the Group's Deputy CEO and Chief Operating Officer (COO) since 2012, with added responsibilities for worldwide operations and customer care, in addition to being responsible for overseeing the Group's worldwide sales and market communications, including the network of subsidiaries and distributors / resellers. He is also a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarine Holdings USA, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. Prior to this appointment, from June 2009, Mr. Block was Deputy CEO and VP Sales responsible for overseeing the Group's worldwide sales, including the network of distributors and subsidiaries, and market communications. Prior to that appointment, from January 2006, Mr. Block was the CEO of Sarin India in charge of the overall management of the operations and business in Sarin India, responsible for over 70% of the Group's revenues and the supervision of over 200 employees. Before being assigned to Sarin India, Mr. Block was a Product Manager responsible for all the products aimed at the diamond manufacturing market. Prior to joining the Group, Mr. Block worked at several major Israeli high technology companies in the management of large-scale development projects, computer programming, quality assurance and technical writing positions. Mr. Block holds an MBA from the Kellog-Recanati School of Business, a joint degree from Northwestern University in the USA and Tel Aviv University, and a Bachelor's degree in Computer Science from the Tel Aviv-Jaffa Academic College in Israel.

3 WILLIAM ("BILL") KESSLER has served as the Group's Chief Financial Officer since May 2009 and is also responsible for Legal and Human Resources issues. He is also a Director in the Group's subsidiaries, Galatea, Sarin India, Sarine Color Technologies, Sarine Polishing Technologies, Sarine Holdings USA, Sarine North America, Sarine IGT H, Sarine IGT I and Sarine IGT JKL. He has over 25 years of corporate and Wall Street experience, working with publicly-traded and private companies in Israel and the United States. From July 2006 until May 2009, Mr. Kessler served as the Principal Finance and Accounting Officer (CFO) of XTL Biopharmaceuticals Ltd. (Nasdaq: XTLB; LSE: XTL and TASE: XTL) and was previously its Director of Finance since January 2006, having served as a financial consultant to XTL during 2005, when he spearheaded the process of listing XTL for trading on the Nasdaq. From October 2003 until December 2005, he served as a financial consultant to Keryx Biopharmaceuticals, Inc. (Nasdaq: KERX), following the relocation of its headquarters to New York, after having served as their Controller in Israel from 2001 until September 2003. From 1996-2000, Mr. Kessler served as Chief Financial Officer for Interhightech (1982) Ltd. While on Wall Street, he worked as a research analyst at Wertheim Schroder & Co., covering media and entertainment companies. Mr. Kessler holds a Bachelor's degree (magna cum laude) in Economics and Mathematics from Yeshiva University, and a Masters of Business Administration from Columbia University, both in NY, USA.

4 ABRAHAM MEIR KERNER has served as the Group's Vice President of Research and Development since March 2009 and as Chief Technological Officer since 2004. He is primarily responsible for developing our technological base and the development of new products. Prior to 2004, Mr. Kerner was our R&D manager for nearly a decade, having joined the Group in 1995. Prior to joining the Group, Mr. Kerner worked for companies related to the Group, where he accumulated 15 years of engineering experience and was involved for ten of those years in the development of precision motion control systems and accurate measuring machines for diamonds. Between 1989 and 1995 Mr. Kerner worked for Shalev (founded by Mr. Levami, the Group's current CEO) and then Interhightech (founded by Mr. Glinert, the Group's current Chairman, into which Shalev was merged in 1993) on the original DiaMension™ and the DiaCenter™, the first automated computerised centering system for rough diamonds for bruting (a now discontinued product of the Group). From 1986 through 1989 while at Shalev, Mr. Kerner participated in the Group's original development project – the Robogem™, an automated system for planning and shaping non-diamond gemstones. Before that, from 1980 through 1986 Mr. Kerner worked for another of Mr. Levami's start-ups – Compulite. Mr. Kerner holds a Bachelor's degree in Electrical Engineering from the Technion - Israel Institute of Technology.

5 RON BEN-ARI is the Vice President of Diamond Manufacturing Activities, responsible for all products for the diamond industry midstream, including the Galaxy™/Solaris™ family of inclusion scanning solutions, rough diamond planning products, laser sawing and shaping systems, polishing quality aids and polished diamond Cut finishing and grading solutions. Prior to this appointment, he was, since January 2013, the Group's Director with similar responsibilities. From 2005 to 2013, Mr. Ben-Ari acted as the Product Manager of the rough diamond planning group of products (the DiaExpert™ and Advisor™ product lines) and managed the Galaxy™/Solaris™ family of products during their first two years and participated in their launch, initial marketing drive and acceptance, ongoing development, etc. Prior to that, since joining Sarine in 2003, Ron Ben-Ari managed the Quality Assurance team in Sarine, responsible for testing all of Sarine's products. Mr. Ben-Ari holds an MBA from the Kellog-Recanati School of Business, a joint degree from Northwestern University in the USA and Tel Aviv University, and a Bachelor's degree in Computer Science from the IDC College in Israel.

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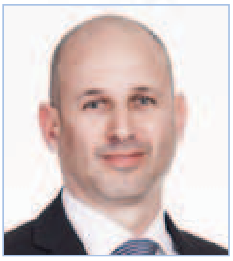
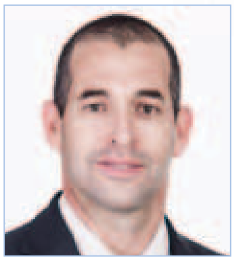
Key Management




6 TZAFRIR YEHUDA ENGELHARD has served as the Group's Vice President of Business Development Polished Diamonds Trade since 2013. Tzafrir earlier served as the Group's Director of Business Development, since 2010. During 2009 (cut short for personal reasons), Mr. Engelhard was the CEO of Sarin India in charge of the overall management of the operations and business in Sarin India, and, specifically, the launch of Sarine's first Galaxy™ inclusion mapping service centre in India. Prior to that, Mr. Engelhard served as a Product Manager, responsible for several of the Group's products. Prior to joining Sarine, from 2007 to 2008, Mr. Engelhard worked at eTouchware, a software company that provides solutions for secure and efficient file transfers over the Internet, and, from 2004 to 2007, at Cognitens Ltd. (later purchased by Hexagon Metrology Inc.), a company that developed and sold high precision non-contact measurement devices to the worldwide automotive market. Mr. Engelhard holds an MBA from the Hebrew University of Jerusalem, with specialisation in marketing strategy, and a Bachelor's degree in Optromechanics from the Technion – Israel Institute of Technology.

7 YOSEF VAX has served as the Group's Vice President for Operations since 2001 and was Chief Operating Officer from March 2009 through 2011. He is responsible for production, purchasing, logistics, quality control and administration at the Israeli parent company. He is an Electronics Practical Engineer, holding a degree from Tel Aviv College in Israel and is also a Certified Quality Manager from the A.L.D College for Certified Managers for Quality in Israel. Prior to joining the Group, Mr. Vax spent over 15 years in various quality control management and inspection positions, in charge of quality control processes, inspection of electronics, electro-optics, optics and mechanical sub-assemblies and components manufacturing and customer care.

8 AARON JAFFE has served as the Group's general counsel since April 2014. In this role, Mr. Jaffe is responsible for the Group's legal matters, with an emphasis on its core business transactions, new business development, intellectual property protection and employment law. Prior to his employment by Sarine, Mr. Jaffe served from 2010 until 2014 as general counsel of Medigus Ltd., a publicly-traded medical device company (TASE:MDGS), where he was responsible for the company's legal affairs and corporate governance, and managed several public share offerings and private placements. From 2002 until 2010 Mr. Jaffe was engaged in private legal practice, primarily as an associate at Yigal Arnon & Co., a leading Israeli law firm with offices in Tel Aviv and Jerusalem, where he focused on a wide variety of corporate and commercial fields of law including cross-border mergers and acquisitions, corporate finance and intellectual property licensing. Mr. Jaffe is the co-author of "Israel – Bankruptcy and Insolvency Law and Policy" published in 2006 by Oceana Publications / Oxford University Press as part of "The Law of International Insolvencies and Debt Restructurings". Mr. Jaffe holds a Bachelor of Laws (LL.B) degree from the Buchmann Faculty of Law at Tel Aviv University, and has been admitted to practice law in Israel and New York.

9 RAN ZISKIND has been the General Manager of Galatea Ltd. since 2004, being one of its founding visionaries. Mr. Ziskind is in charge of the production at Galatea as well as the Group's service centre activities. Prior to founding Galatea, he accumulated 12 years of experience in high-tech industries at various positions, from design engineer to management. Between 2001 and 2003 Mr. Ziskind served as the General Manager of Atomic Hydrogen Technologies Ltd., a company which develops equipment for the semiconductor industry. Prior to that, from 1997 through 2001, Mr. Ziskind worked for Eureka, a company that did subcontracting of mechanical design services. At Eureka he held a plurality of positions, from Design Engineer to Project Manager. Mr. Ziskind is a graduate of the Mechanical Engineering program from Zur Teffen, an academic institute founded by the world-renowned industrialist, Mr. Stef Wertheimer, and holds a Bachelor's degree in Chemistry and Management from the Open University of Israel.

10 RAJESH RASIKLAL KOTHARI has been the General Manager of Sarin India since 2013. He is in charge of the overall management of the operations and business in India, with emphasis on the launch of polished diamond products and services, continued aggressive promotion of the Galaxy™ and Solaris™ family of inclusion mapping products and services to an even broader range of players in the manufacturing industry, along with, and leveraged on, the consolidation of the Group's planning products' dominant position. Mr. Kothari has over 25 years of experience working in the diamond industry. Prior to joining Sarin, Mr. Kothari was Head of Global Manufacturing (diamond division) for Shrenuj & Co. Ltd. for 3.5 years. He was responsible for overseeing the group's worldwide manufacturing of polished diamonds and in this role, through integration of new technologies and other skill level improvements, he achieved new benchmarks in quality, productivity and cycle time reductions. From mid-1988 through mid-2009 Mr Kothari served as Head of Manufacturing at R. Kantilal & Co. During this period he specialised in the procurement of rough diamonds from mining companies and tenders, as well as in the open market. From May 2000 until May 2003 Mr. Kothari was Head of Operations at the Munic Gems Group and was tasked with establishing an export oriented jewellery unit. He was also instrumental in getting BEM certification (a Rio Tinto initiative) for the company. Mr. Kothari holds a first class Bachelor's degree in Commerce from Lala Lajpatrai College of Commerce and Economics, Mumbai University and certificates from the GIA and IGI labs for successfully completing Diamond Grading and other courses. He has been actively involved in the development of technology, testing of machine prototypes and process improvement initiatives with grading laboratories and equipment manufacturers and has addressed various industry forums and seminars as a speaker on these and other issues.

6 7 8 9 10

Key Management




11 BEENITA RITESH CHAURASIA has been the Vice President of Sales, Sarin India, since 2010. Ms. Chaurasia is responsible for all pre- and post- sale activities relating to the Group's products in India. Prior to this appointment, Ms. Chaurasia had been employed by Sarin India since 2004, initially as a junior sales person, but over time with ever increasing managerial responsibilities. Prior to her employment with Sarin India, from 2001 through 2003 she was employed by Pyramid Exports in various positions pertaining to business administration, manufacturing administration and exports of cosmetics, skin care and personal care and perfumery products to international markets. She holds a Master's of Business Administration degree (MBA) with distinction, having finished first in her class, from the Jamnalal Bajaj Institute of Management Studies (Mumbai University), with a specialisation in marketing. She also holds a Master's degree in Commerce from Mumbai University, also with distinction. Ms. Chaurasia holds a Bachelor's degree in Commerce from K.P.B Hinduja College in Mumbai.

12 SUDHIR NARASINGA RAO has been Vice President of Finance, Sarin India, since July 2012. He has over 22 years of corporate finance experience, working with local conglomerates and multinational companies in India. From January 2000 through June 2012, Mr. Rao served as Director of Finance (and on the Board of Directors) of Firmenich Aromatics (India) Private Limited, an Indian subsidiary of a Swiss multinational company in the flavour and fragrance industry, where he led the finance and accounting team. He was part of the core team which set up the first chemical plant in India for the Firmeinch group in the special export zone in the state of Gujarat (where Surat, India's primary diamond manufacturing industry hub, is also located). Prior to that, from 1998 through 1999 he served as General Manager of Finance for Mphasis (India) Limited, a software development company, now a part of the Hewlett Packard group, where he was also part of the core team which set up the start-up company in India. From mid-1987 through 1998 Mr. Rao served as Divisional Manager of Finance for KEC International Limited, a tower manufacturer and transmission line turnkey project contractor, where he began his career as a management trainee. Mr Rao is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor's degree in Commerce from Mumbai University.

13 RAJESHWARI HOMI MEHTA has been Vice President of Business Development Polished Diamond Trade of Sarin India, since 2013. Ms. Mehta is responsible for all activities relating to the Group's new polished diamond products and services in India. Prior to this appointment, during 2010 Ms. Mehta took personal leave and then, from 2011 through 2012 she consulted for the Group on its conceptualisation of its polished diamond strategies, doing market research and product testing in India, the U.S. and Hong Kong. Prior to 2009, Ms. Mehta served as Vice President of Sales at Sarin India from 2004, when the Group's Indian subsidiary was established. Prior to joining the newly established Sarin India, she was employed by the Company for two years doing various market surveys in India. From 1999 to 2002, Ms. Mehta was the Vice President of Marketing at Sahajanand Technologies P. Limited, at that time our Indian distributor, where she led the marketing team tasked with the sales of our Group's products in India. Ms. Mehta holds a Master's degree in Organic Chemistry and a Masters in Business Administration from the South Gujarat University, India.

14 MICHAEL GOREN has been Sarine's Regional Manager for Asia-Pacific (excluding India) since early 2015, with his emphasis being on expanding the penetration of Sarine's new polished diamond imaging products and services offerings in that market. Michael has now been appointed Managing Director of Sarin Hong Kong Limited. Michael has 20 years of global experience in various industries and geographies, in operations and business development. Prior to joining Sarine, from April 2012 until March 2015, Michael was based in Singapore while managing a Hewlett Packard (Nasdaq:HPQ) Asia-Pacific business unit comprising of 120 managers and professionals across the region. From January 2011 until April 2012, Michael was employed by Orbotech (Nasdaq:ORBK) as a Business Processes Manager, implementing corporate initiatives and processes in Asia-Pacific to better cater to this important region. Michael also spent many years working in Israel, the USA and Australia in various customer interfacing leadership roles, mainly at Elbit Systems (Nasdaq: ESLT) between 1995 to 1997 and Orbotech (Nasdaq: ORBK) from 1997 through 2004, where he was sent from its regional California office to manage the New York facility and later assumed an operations management role in their corporate U.S. headquarters in Boston. From 1991 until 1995 Michael served in a special technological unit in the Israeli Air Force. Michael participated in an Executive Leadership program at Stanford University, focusing on business innovation and transformation, holds an MBA in International Business (focus on Asia Pacific) from Flinders University, Australia, a Bachelor's degree in Computer Information Systems from Southern New Hampshire University, USA, and an Associate degree in Electronic Engineering from the Technion - Israel Institute of Technology.

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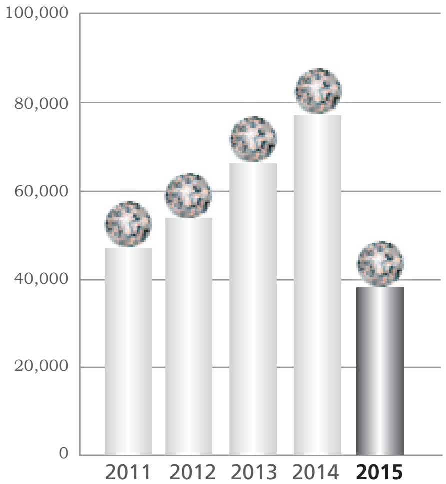
Financial Highlights

Financial Year Ended 31 December

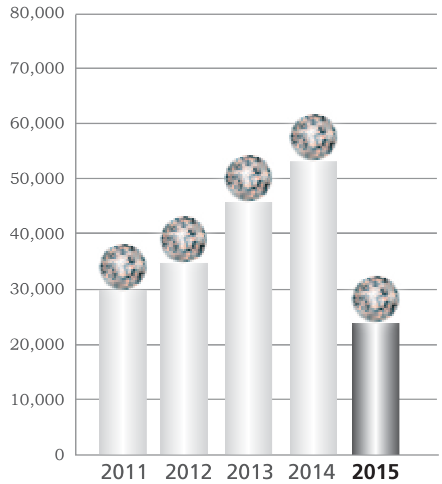
(US$ '000)	2011	2012	2013	2014	**2015**
Revenues	57,803	63,750	76,369	87,770	**48,453**
Gross Profit	38,281	43,388	54,583	61,903	**32,549**
Net Profit	17,366	20,755	23,888	27,230	**3,587**
Gross Profit Margin	66.2%	68.1%	71.5%	70.5%	**67.2%**
Net Profit Margin	30.0%	32.6%	31.3%	31.0%	**7.4%**
Cash and Investments (no debt)	33,946	36,787	33,059	45,497	**32,596**
EPS (US cents, fully diluted)*	5.12	6.03	6.87	7.70	**1.02**
Dividend Per Share (US cents)*	2.60	4.50	6.00	5.00	**3.00**
EBITDA	24,502	27,968	33,881	37,854	**9,539**

** Adjusted for bonus issue in May 2012*

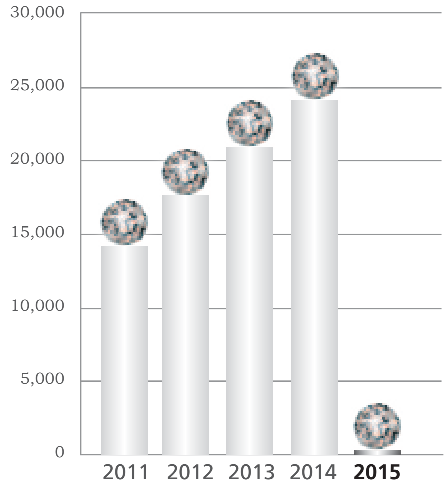
REVENUES (US$ '000)



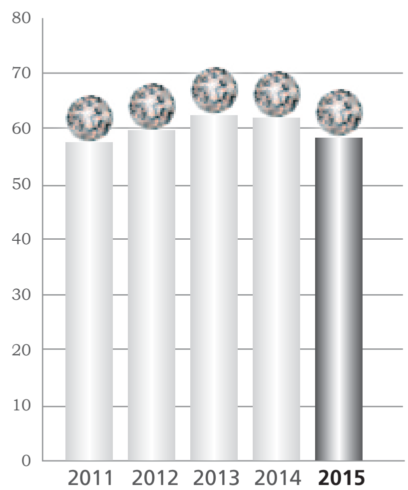
GROSS PROFIT (US$ '000)



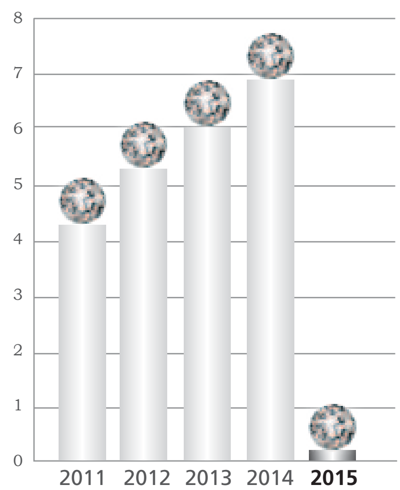
NET PROFIT (US$ '000)



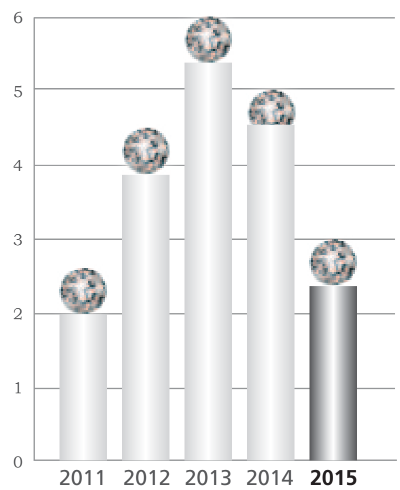
GROSS PROFIT MARGIN (%)



EPS (US CENTS)



DIVIDEND PER SHARE (US CENTS)



Management's Business, Operations & Financial Review

Our Business - Adding Value to Your DIAMONDS

DiaMension™ Axiom

THE DIAMOND INDUSTRY

Diamonds have long been entwined in culture as symbols of love, commitment and eternity. Consistent advertising campaigns by the diamond industry have historically reinforced these notions among consumers. This consumer demand drives an extensive industry of mining, polishing, certification and wholesale and retail trading, on which our Group capitalises.

Rough diamonds go through a series of inspection, planning, sawing (cutting), shaping (sometimes, if round, referred to as "bruting"), polishing (faceting) and fine-polishing processes to turn them into retail-ready polished diamonds. Traditionally, rough diamonds were processed into polished ones manually by an elite group of skilled experts, mostly within families.

We believe Sarine has revolutionised the diamond polishing/manufacturing industry by introducing computer-based technology to automate many of the processes of this highly specialised expertise. This has, in turn, contributed to the migration of the manufacturing from historic centres to lower-cost centres, primarily India, and, to a lesser extent, China and the southern African countries (mainly South Africa and Botswana). The diamond cutting industry's turnover was valued at approximately US$ 22.3 billion in 2014 (the latest full year for which data are available), with added value of some US$ 6 billion.

The cost of rough diamonds is extremely high and the polishers' typical margins very low. Hence even single-digit percentage yield increases or cost savings translate into a significant impact on their profits. Sustained by this basic constraint, the Group has been successful in introducing over the years reliable and efficient yield-increasing and cost-saving technologies, which the global diamond industry has proven eager to adopt. The combination of these technologies has redefined the art of polishing diamonds. They have pushed the optimally achieved yield of the polished stone(s) weight from 40%-42% of the rough stone's weight to over 50%, an approximate 25% benefit. They also actually allow the manufacturer to select planning options which best suit the actual markets at any given time, trading off between weight (size – more sought in US markets) and quality (Clarity – more sought in Far Eastern markets).

Similarly, because of the high value of polished diamonds, adhering to the established standards of quality, as measured by a diamond's so-called four Cs (Carat, Colour, Clarity and Cut) is important. The results typically obtained from the manual grading inspection of a diamond can often vary, depending on the expert conducting the evaluation. As a result of the subjectivity inherent in manual inspections, technology has evolved as a major contributor to the standardisation of a diamond's grading, and the Group has been at the forefront of introducing polished diamond grading technologies for more than two decades.

Our Markets

Historically, the Group has focused on products and services for the assessment, optimal planning, sawing, cutting, shaping and polishing of rough diamonds for the manufacturing and wholesale trade segments of the diamond industry, often referred to as the "midstream":

- The DiaExpert™ family of platforms (DiaExpert™, DiaExpert™ Atom, DiaExpert™ Nano 6.5, DiaExpert™ XL, DiaExpert-Eye™, DiaScan™ S+, DiaMobile™ XL and DiaMark™ Z) and the Advisor™ software for planning the optimal utilisation of rough diamonds;

- The unmatched Galaxy™ family (the Galaxy™ 1000 / 2000 systems for diamonds 2.5 to 20+ carats in size, the Galaxy™ XL for large stones up to 200+ carats, the Solaris™ for stones of 0.9 to 2.5 carats in weight, the Meteor™ for even smaller stones of 0.2 – 0.9 carats and the Galaxy™ Ultra for high resolution microscopic-level inspection) for internal inclusions scanning and mapping in rough diamonds; and

- The 3rd-generation Quazer™ 3 green-laser system and the Strategist™ setup station, the industry's most cost-effective high-end solution for the laser cutting and shaping of rough diamonds.

India is by far the leading diamond manufacturing centre, accounting for some 90% of all stones polished worldwide by stone count (80% by value). China is the second most important polishing centre globally. Though many resources have been invested in the development of an indigenous polishing industry, the southern African countries have yet to emerge as significant rough diamond processing centres.

Sarine has a market presence in both established and emerging diamond manufacturing centres. A key development for us in 2004 was the establishment of Sarin Technologies India Private Limited, our wholly-owned subsidiary. With pre- and post-sales operations in the key diamond processing centres of Mumbai and Surat, we now have direct control over the business direction and marketing of our products in the key Indian market. In 2009, we inaugurated a service centre in Surat, which provides our customers in India with Galaxy™ internal inclusion detection and mapping and Quazer™ laser cutting services. A second service centre in India was opened in Mumbai in the beginning of 2012.These service centres generate a recurring revenue stream, as do the bulk of the Galaxy™ systems acquired by customers, due to the unique business model we have implemented based on an ongoing per-use charge.

The diamond manufacturing centres of southern Africa also have potential for expanding our product sales. Sarine has taken steps to strengthen its market presence in these markets. The appointment of an agent in South Africa initially in 2005 was followed by expansion in 2008 into the strategic Botswana market (whose importance has grown markedly since DeBeers relocated its activities there from London) and the appointment of a dedicated agent in Namibia in early 2012. During 2011 and 2012 service centres for automated internal inclusion detection and mapping, planning and sawing services were opened in all these countries, as well.

We expect significant growth in our sales to and profits from the wholesale and retail trade of polished diamonds, the "downstream", during the next few years. We are now targeting this industry segment as our primary market for strategic expansion. While as the midstream adds US$ 6 billion in value, the downstream portion of the industry holds significant growth potential for the Group because its added value is almost ten times that figure – US$ 52 billion. And, whereas the average profit margin in the midstream is single-digit percentages, the margins realised by high-end retailers start with low double-digits and are often substantially higher, with the downstream overall generating about half of the profits realised in the entire industry food-chain. The retail diamond jewellery business accounts for roughly a quarter of the composite global personal luxury goods retail trade, which amounted to US$ 296.5 billion in 2014 and grew at 5% year over year. The personal luxury goods trade is primarily in the U.S. and Europe (65%-70%), followed by Japan, China and the Gulf region. In 2014 we opened an office in the U.S. on Diamond Way (47th St. between 5th and 6th Avenues) in midtown Manhattan, the heart of the U.S.'s polished diamond trade. In 2015 we opened an office in Hong Kong, the primary hub of polished diamond trade in the Far East and a major gateway into China, still the fastest growing market for personal luxury goods, in general, and diamond jewellery, in particular.

The recognition that imaging technologies are becoming essential marketing and sale tools with the capacity to "show and tell" the polished gem, as well as branding it and differentiating it from the commoditised standard cuts and stones, is gaining recognition amongst e-tailers and retailers alike. Dry tabular non-intuitive data, as formulated in the historic four C's, no longer appeal, nor convince, the younger generation of internet-savvy buyers. We thus launched the Sarine Profile™ in 2015, which provides succinct image and video information pertaining to the offered diamonds' quality and beauty. We believe that doing so will enable online transactions with a completely new level of confidence, while reducing costs for both seller and buyer. The Sarine Profile™ will also enhance the in-store buying experience by empowering the consumer to make a truly informed decision, while allowing chains to offer any stone from their entire (virtual) inventory, regardless of its physically being in the specific outlet or not. The Sarine Profile™ is unique in that it allows each retailer, whether online or brick and mortar, to select its preferred imagery from a toolbox of options including the various levels of imagery produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, hearts and arrows graphics, Cut proportions graphics, laser inscription viewing, etc., all as derived from our diverse cutting-edge systems described below, along with other user-provided data, such as the stone's gemmological laboratory report, retailer promotional material, etc.

The systems that have been developed to provide these varied data and assist in the sale of diamonds and jewellery both in stores and online are:

(a) The DiaMension™ HD / Axiom proportion and symmetry measuring systems provide geometrical proportions and Hearts and Arrows depictions;

(b) The DiaScribe™ system inscribes polished diamonds with distinct marks such as text, numerals and symbols, whether for branding, personalisation or simply recording the stone's certificate number;

(c) The Sarine Light™, enables the automatic, accurate, consistent and quantified measurement of a polished diamond's appearance (light performance), in order to add another means by which to value the diamond and its consumer appeal:
Brilliance - the intense bright light that shines from the diamond
Sparkle - the dramatic flashes that burst out of the diamond as it moves
Fire - the vivid colours of the rainbow that radiate from within the diamond
Light symmetry - the equal distribution of light that reflects from the diamond

(d) The Sarine Loupe™ imaging system creates high-quality multi-level video imagery, so that a potential buyer of a polished diamond, whether a qualified wholesale trader or a consumer, can truly assess both its beauty and internal features without having the polished diamond physically in hand. At the highest level, Real View, the buyer sees the stone under 3-5 times magnification (depending on the stone's actual size), allowing him/her to assess its true appearance and beauty, while also verifying, by observing its inclusions, just how eye-clean the stone is. At the next level, Top Inspection, imaged at 5-10 times magnification, the buyer can accurately assess the stone's Cut and Clarity by inspecting the stone in detail, as viewed through its table. Finally, using 3-D Inspection, with optional virtual zoom, the buyer can inspect the stone at up to 40 times magnification, from virtually 360 degrees in all axes, even better than through a conventional loupe, and truly scrutinise even its minutest details.

Additional technologies which will further enhance the polished diamond's trade's transparency and provide supplementary data are in development, including, for example, the announced "fingerprinting" and fine-sorting of a diamond's Clarity in accordance with industry accepted sub-grades pertaining to the diamond's actual appearance (e.g., "eye-clean", "no black inclusions", "no inclusions under the table").

We also provide retailers with the Diamond Assay Service (DAS), an online subscription service that enables them to verify whether a diamond is really a diamond (albeit without differentiating between natural or synthetic / treated stones), ascertain its geometric parameters, Cut grade and estimated value, and proposes possible solutions for its re-cutting and re-polishing so as to derive greater potential value. This service is primarily aimed at retailers who allow customers to "trade up" their older / inherited jewellery.

The business model, which has been adopted for all the aforementioned products and services for the polished diamond trade, is based on the recurrent revenue model, which has been so successfully adopted for the Galaxy™ family of inclusion mapping systems for rough diamonds.

Sarine Products by Use and Client Type

RELATED ACTIVITY	TARGET CLIENT	SARINE PRODUCTS
Rough diamond evaluation	Rough Wholesaler/ Manufacturer	Galaxy™, Galaxy™ XL, Galaxy™ Ultra, Solaris™, Meteor™, DiaExpert™, DiaExpert™ Atom, DiaExpert™ Nano 6.5, DiaExpert™ XL, DiaExpert™ Eye, DiaScan™ S+, DiaMobile™ XL, Advisor™
Production & planning of rough diamonds into polished ones	Manufacturer	Galaxy™, Galaxy™ XL, Galaxy™ Ultra, Solaris™, Meteor™, DiaExpert™, DiaExpert™ Atom, DiaExpert™ Nano 6.5, DiaExpert™ XL, DiaExpert™ Eye, DiaScan™ S+,DiaMark™ Z, Advisor™
Cutting rough diamonds	Manufacturer	Quazer™ 3, Strategist™
Shaping rough diamonds	Manufacturer	Quazer™ 3
Optimal polishing of diamonds for best Carat / Cut trade-offs	Manufacturer	DiaMension™ HD, DiaMension™ Axiom, DiaMark™ HD, Instructor™
Diamond finishing optimisation	Manufacturer	DiaMension™ HD, DiaMension™ Axiom, DiaScan™ S+, Instructor™
Polished diamond evaluation according to the 4 Cs and light performance	Manufacturer / Gemmological Laboratory / Polished Wholesaler and Retailer	DiaMension™ HD, DiaMension™ Axiom, DiaScan™ S+, Sarine Light™, DAS
Polished diamond branding	Manufacturer / Gemmological Laboratory / Polished Wholesaler and Retailer	DiaScribe™, Sarine Light™, Sarine Loupe™, Sarine Profile™
Polished diamond wholesale and retail trade, online and in-store	Manufacturer / Wholesaler / Retailer	Sarine Light™, Sarine Loupe™, Sarine Profile™, DAS

Intellectual Property

The products we develop are proprietary in nature. Hence, our ability to remain competitive in the market is dependent, in part, on our ability to protect our intellectual property (IP), in general, and our software, in particular. To facilitate the protection of these intellectual property rights, we have registered numerous patents and trademarks in countries key to our business and several additional patent and trademark applications are pending in various phases. As is normal, several of our patents and trademarks have been disputed by other, competing, players in the industry (just as we dispute patent applications filed by our competitors). Subsequent to having been granted key patents in India for our laser marking and inclusion mapping technologies, we have initiated and will be initiating litigation against certain competitors, whom we believe have infringed those patents. In addition to our assertive intellectual property protection and patent enforcement activities, we have designed and are continuing to design protective technological features into our systems, based on cloud computing technology. Thus, the key image processing software of our Galaxy™ family of inclusion scanning systems, as well as key software components of our Advisor™ rough planning software and our Sarine Light™ and Sarine Loupe™ imaging systems are protected from unauthorised access by being remotely located on cloud servers rather than installed on the systems.

Objectives

The Group's main objectives for 2016 are:

- Accelerate and deepen the Galaxy™ family of inclusion mapping products penetration, having launched the Meteor™ system for smaller stone sizes (0.20 – 0.89 carats) in 2015, as planned;
- Maintain our dominant market lead and the overall value proposition embodied in our DiaExpert™ planning systems and Advisor™ software, with which the inclusion mapping systems interface, so as to sustain the entry barrier for our competition;
- Leverage our cutting-edge imaging technologies and unique Sarine Profile™ to establish a significant presence in the polished diamond trade. This will both increase our recurrent revenue stream and balance our business more evenly between the midstream manufacturing and downstream trading segments (so as to create protective buffers from a downturn in any single segment, as we experienced in 2015 in the midstream); and
- Continue the roll out of our new offering for the non-diamond gemstone analysis, planning, cutting and shaping, the Allegro™, which will also increase our recurring revenue stream as well as expand our presence into an additional market.

Strategy

To realise these objectives, the Group plans to execute these strategies:

- Focus the Group's research and development initiatives as follows:
  - Integration of our rough planning software (the Advisor™) and our faceting quality control software (the Instructor™) with our light performance grading technology, so as to allow manufacturers to incorporate light performance (i.e., brilliance, fire, sparkle and light symmetry) into their manufacturing criteria;
  - Enhancement of the Sarine Loupe™ platform to add additional shapes and sizes and develop additional capabilities relating to key characteristics of the polished diamond;
  - Enhancement of our Sarine Profile™ in order to provide additional optional imagery, video and other relevant information for enhanced customer branding of their jewellery lines; and
  - Expand our cloud-based infrastructure for the Sarine Profile™ in order to facilitate enhanced downloading and provide for the information management requisite to the worldwide rollout of the service.

- Focus the Group's marketing efforts on:
  - The continued penetration of our Galaxy™ family of products and services integrated with our rough stone planning products and their extension into smaller stone sizes;
  - The commercialisation of the Group's new products and services which cater to the polished diamond trade, by expanding the market recognition and presence of the Sarine Profile™ and the combined options provided by the Sarine Light™, Sarine Loupe™ and polished diamond proportion analysis systems of the DiaMension™ family for the wholesale and retail online and in-store diamond trade; and
  - The expansion of our brand into the non-diamond gemstone industry with the new Allegro™ system.

Performance Indicators

Non-financial Indicators

We use the following non-financial indicators to assess our Group's performance year-on-year and against our competition's performance:

INDICATOR	PERFORMANCE
Technological leadership	Our technological leadership, as measured by the innovation embodied in our new and enhanced products and services, as well as by our existing and pending patents worldwide, remains strong. No other company in our field holds a broader portfolio of products and intellectual property for the rough and polished diamond industry.
Estimated market share	Given the synergy between the Group's rough diamond planning systems and our unique Galaxy™ family of inclusion mapping products and services, we have clear indications that we have not only managed to retain a dominating market share in 2015, but have actually increased same in all our markets, industry conditions notwithstanding, by converting users of non-Sarine systems to our products and services.*
Product & service offerings	During the year in review we announced and released new products and enhancements for existing products, across all our product lines, which were favourably received in the market. We have plans to continue this strategy into 2016 and beyond, with the emphasis being on the continued dominance of the rough diamond inclusion scanning and planning processes for the manufacturing industry, the setting of new standards for polished diamond Cut and Symmetry grading at gem labs and throughout the trade, and the leveraging of the combined features of our light performance and multi-tiered imaging technologies, along with other unique abilities to identify key characteristics of the polished diamond, as embodied in the Sarine Profile™, to establish a significant market presence in the polished diamond trade.
Brand strength	Our brand strength allows us to command premium prices for our products in a competitive market. Our brand strength also allows us to leverage our distribution channels to market and sell complementary products to our existing customers, as well as to seek out new ones. We believe our brand continued to strengthen during the year in review. We intend to continue strengthening our brand in 2016, with the broadened commercialisation of our Sarine Profile™, which will boost consumer recognition of our brand.

* Note: The fact that all other players in our industry are privately-held companies hampers our ability to collect and collate accurate sales data; additionally, no well-known international analysts regularly cover our market for technological tools for the diamond industry, making accurate assessments hard to substantiate.

Financial Indicators

We use the following financial indicators to assess our Group's performance year-on-year. Regrettably, due to extremely negative industry-specific conditions and sentiment, as elaborated upon below and in the Chairman's Statement, we did not have a financially successful year.

INDICATOR	PERFORMANCE
Revenues	Revenues for FY2015 decreased by 45% to US$ 48.5 million, as compared to US$ 87.8 million for FY2014. The decrease in revenues stemmed primarily from the extremely challenging industry conditions throughout FY2015. The negative sentiment, primarily in the midstream, still our main customer base, started to manifest itself in the last three to four months of FY2014. The combination of overly aggressive rough diamond pricing, with stagnant polished diamond prices, mostly due to slowing growth in demand from China, in particular, resulted in unsustainably low manufacturer margins. The much higher than normal polished inventory levels at FY2014 year's end, mainly due to pipeline skewing driven by extended certification times and the aforementioned unsustainable margins, complicated further by reduced working capital credit lines available to our customers, led to polished diamond manufacturing activity dropping significantly, by some 30%, in the first half of FY2015. As a result of ongoing lack of profitability, with rough diamond pricing remaining too high, conditions in the midstream further deteriorated mid-year with DeBeers' sightholders refusing unprecedented quantities of offered diamonds (at some sights up to 80%) and manufacturing activity dropping further to below 50% of normal. Given this background, with little to no incentive to acquire new technology, our sales of new equipment dropped by some 55% year over year. Galaxy™ family inclusion mapping systems sales, one of our primary growth drivers in the preceding years, faltered for the first three quarters of FY2015, but recovered somewhat in the fourth quarter with the introduction of the Meteor™ system. With deliveries in FY2015 of only 25 Galaxy™ family systems to customers and service centres, just over half the number delivered in 2014, the Group had an installed base of 215 Galaxy™ family systems as of 31 December 2015. The Group's recurring revenue (including Galaxy™-related, Quazer™ services, annual maintenance contracts, etc.) also dropped in FY2015, but only by a lesser 25%, and constituted over 45% of overall FY2015 revenues.

Management's Business, Operations & Financial Review

INDICATOR	PERFORMANCE
Gross Profit	Gross profit for FY2015 decreased by 47% to US$ 32.5 million, as compared to US$ 61.9 million for FY2014. For FY2015 the Group recorded a gross profit margin of 67%, significantly less than the 71% as in FY2014, due to the overall reduced revenues and product mix. Gross profit included non-cash amortisation expenses, of US$ 1.9 million and US$ 2.7 million, in FY2015 and FY2014, respectively, related to the amortisation of the Galatea know-how, Galaxy™ related software, and previously capitalised Group research and development costs.
Operational Profit	Profit from operations for FY2015 decreased by 83% to US$ 5.5 million, as compared to US$ 32.9 million in FY2014. For FY2015 the Group recorded an operating margin of 11% as compared to an operating margin of 38% for FY2014. The decrease in our operating margin was due primarily to our reduced revenues, along with our ongoing strategic expenditures on new products and services for our midstream and downstream markets alike.
Net Profit	For FY2015 the Group reported a net profit of only US$ 3.6 million, a decrease of 87% compared to net profit of US$ 27.2 million for FY2014. For FY2015, the Group recorded a net profit margin of 7% significantly less than the net profit margin of 31% for FY2014.

Operating Review

Opportunities

Market-driven Opportunities

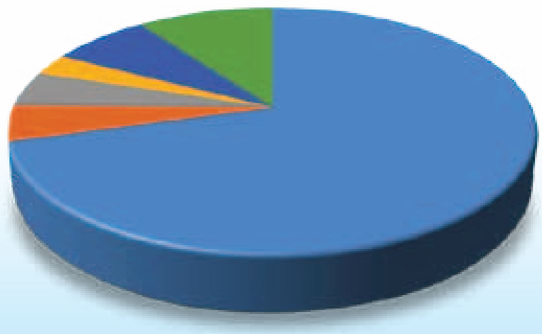
- Global economic indicators remain overall stable, with specifically positive developments in the U.S., still the largest single market for polished diamonds, where diamond jewellery buying expanded in 2015 with the best Valentine's Day sales on record and a 3% increase year over year for the Christmas holiday season. Markets in Japan and Europe remain stable. The polished diamond trade's expectations are mostly focused on renewed demand from the Chinese market, where uncertainty persists.

Company-driven Opportunities

2015

REVENUE BY GEOGRAPHIC SEGMENT

Africa 4% India 71% North America 3%
Europe 5% Israel 7% Other 10%



- **The Galaxy™ family of inclusion scanning products:** Deliveries of Galaxy™ family systems in 2015 were only 25 (48 in 2014, 46 in 2013 and 41 in 2012). However, it is noteworthy that over half of these systems were delivered in the fourth quarter of the year, essentially in December after the Diwali holiday in India in November. This was due to more positive industry conditions, as holiday season demand coupled with a shortage of supply (due to reduced polishing activity all year) combined to drive polished diamond prices upwards. As of 31 December 2015, we had 215 systems deployed worldwide. Though our recurring revenue stream from the installed Galaxy™ family systems declined in FY2015 by some 25%, due to the reduced polishing activity, it continues to account for most of the Group's recurring revenue for the year, which was over 45% of our overall revenues in FY2015. Indications are that the oversupply of polished diamonds, which manifested itself at year end 2014, has been worked through the pipeline, with some analysts pointing to the reduction of more than US$ 5 billion in working capital credit to the industry as a key indicator of this. We have, in fact, witnessed a return to more normal polishing activity in the midstream, as the positive Christmas buying season in the U.S. (sales up an estimated 3% year over year) further depleted inventories, giving rise to firming polished diamond prices, and DeBeers lowered their rough diamond prices by an estimated 5%-10% (depending on category) at the January 2016 sight. Given our fully integrative solution with our extensive installed base of planning systems, the Group expects to realise significant deliveries of Galaxy™ family systems in FY2016, assuming the current positive industry sentiment continues. As we have now successfully introduced systems capable of processing stones from 20 points (a fifth of a carat) rough up to 200 carats (the Meteor™, Solaris™, Galaxy™ and Galaxy™ XL products), an addressable market of some 65 million stones annually, and as we have also successfully addressed the need for high-resolution scanning (the Galaxy™ Ultra), we believe that in FY2016 we can accelerate deliveries significantly over our historic numbers, industry conditions permitting. We continue to closely monitor our would-be competitors from among the other technology suppliers to the industry, and, to the best of our knowledge, there have been no material developments throughout 2015 or in the initial months of this year. We have become aware of clandestine efforts by a lone player in India who operates a number of devices, which seemingly replicate, in whole or in part, the core processes of our inclusion-mapping for Galaxy™-sized stones, without our crucial cloud-protected image processing, without high resolution scanning and without the ability to interface with our latest cloud-protected Advisor™ planning software. We estimate that the throughput of these devices is, in aggregate, less than 5% of the stone quantities regularly scanned by our Galaxy™ systems and have been led to understand that the results are of inferior quality. The Group is pursuing the various legal channels available to it to enforce its patent and intellectual property rights in this regard. Together with our expansive installed base of industry-leading planning systems, we believe our competitive edge has, in fact, improved over the past year, having introduced the Meteor™ and the cloud protection for the Advisor™.

- **Rough planning products:** The added value realised by utilising our planning systems in conjunction with our inclusion mapping systems has been a winning proposition both underpinning our inclusion systems' market penetration and increasing our share of the planning systems market. We have also addressed critical issues of intellectual property protection, by implementing cloud technology in our latest release of the Advisor™, so as to better thwart attempts to copy or otherwise misappropriate our intellectual property assets.

- **Polished diamond proportion systems:** The DiaMension™ Axiom platform has definitely set a new industry standard enabling more comprehensive geometric measurements of the polished diamond, at an unmatched level of accuracy. The system has been adopted by industry leaders, including Tiffany & Company, to whose specifications it was developed, and the Gemmological Science International (GSI) lab, and has repositioned Sarine as the technological leader in this industry segment. This has driven increased sales also of the older DiaMension™ HD system, as we are once again perceived as being the standard setter for polished diamond proportion measurement systems. We believe that the DiaMension™ Axiom's introduction will ultimately lead to a refined definition of a polished diamond's Cut and Symmetry, and thus create an expanded business opportunity for the Group.

- **Polished diamond trade systems:** As noted above, that imaging technologies are becoming essential marketing and sale tools with the capacity to "show and tell" the polished gem, as well as branding it and differentiating it from the commoditised standard cuts and stones, is gaining more recognition amongst e-tailers and retailers alike. Dry tabular non-intuitive data, as formulated in the historic four C's, no longer appeal, nor convince, the younger generation of internet-savvy buyers. We thus launched the Sarine Profile™ in 2015, which provides succinct image and video information pertaining to the offered diamonds' quality and beauty. We believe that doing so will enable online transactions with a completely new level of confidence, while reducing costs for both seller and buyer. The Sarine Profile™ will also enhance the in-store buying experience by empowering the consumer to make a truly informed decision, while allowing chains to offer any stone from their entire (virtual) inventory, regardless of its physically being in the specific outlet or not. The Sarine Profile™ is unique in that it offers each retailer, whether online or brick and mortar, to select its preferred imagery from a toolbox of options including the various levels of imagery produced by the Sarine Loupe™, light performance grading and video generated by the Sarine Light™, and hearts and arrows graphics, Cut proportions graphics, laser inscription viewing, etc., all as derived from our DiaMension™ Axiom, DiaMension™ HD and DiaScribe™ systems, along with other user-provided data, such as the stone's gemmological laboratory report, retailer promotional material, etc. The service is offered on a per-stone basis with the charge based on the selected options from our diverse toolkit, thus generating an additional recurrent revenue stream.

- **Non-diamond gemstones:** The Allegro™ system was launched in late 2015, as planned. The Allegro™ is similar in concept to Sarine's original first product, the Robogem, launched in the late 1980s. It is a high-speed and highly accurate system which processes non-diamond gemstones and transforms the preformed stone (i.e., after the initial suggested location of the table has been manually identified for colour optimisation) directly into a fully-shaped (unfaceted) gem. It thus comprises the functionality of our rough diamond planning systems along with (non-laser) cutting and shaping abilities, to provide extremely accurately sized stones, with minimal weight loss, high throughput and virtually no human error. Furthermore, the machine is configurable to process gems according to varying market preferences. When measured by the number of stones produced annually, the manufacturing market for non-diamond gemstones is significantly larger in volume than that of diamonds, albeit not by dollar value, of course. We have initiated inexpensive (equating or below the cost of manual manufacturing) per-stone processing services in service centres in India (Jaipur, Rajasthan) and Israel, with plans to expand to other gemstone polishing centres in 2016 and beyond. We expect this venture to create a new recurrent revenue stream.

Risk Factors

- Macroeconomic issues remain a concern, primarily in the key Chinese market, which was previously the fastest growing market for polished diamonds, but in which demand growth slowed significantly in 2015. As uncertainties prevail in the Chinese economy, both as relate to overall growth and currency exchange rates, we believe these may continue to weigh on polished diamond demand in China in 2016.

- Rough diamond prices, which ended 2014 at unsustainably high levels, have corrected throughout 2015 and the initial sight of 2016 by an estimated aggregate 20% – 25%. Furthermore, driven by shortages in a broad range of polished goods, polished prices firmed and increased in the last quarter of 2015 and the first months of 2016 by an estimated 3% – 5%. These positive trends have created the necessary price variance to allow the return to profitable diamond polishing, conditions not seen since 2014. Still, the variance in trends between rough diamond prices and polished diamond prices is always a risk factor to be watched.

- Liquidity in the industry mid-stream is always a risk factor, though data from 2015 indicate that inventory levels have dropped significantly due to reduced polishing activity throughout all of 2015, along with solid consumer demand in the mature markets during the key holiday buying season. In fact, throughout 2015 overall working capital credit to the diamond industry has dropped by an estimated 25% and Indian banks have, indeed, reportedly softened their approach to midstream polishers. We thus expect this risk factor to be less acute in 2016 than it was in 2015.

- Our success and ability to compete are substantially dependent on our proprietary technology. The steps that we have taken to protect our proprietary rights may not be adequate, and we might not be able to prevent others from using what we regard as our technology. If we have to resort to legal proceedings to enforce our proprietary rights, the proceedings could be costly, and we may not be able to recover our expenses.

- We may be subject to claims by others regarding infringement of their proprietary technology. Litigation over intellectual property rights exists in the industry. In addition to outstanding legal proceedings, we may in the future be subject to other claims.

- We provide reports and depictions of certain diamond qualities and parameters to clients. If a client or another third party, even if we are not contractually bound to such third party, alleges that our report is incorrect or is improperly relied upon, and we are held responsible, we could be subject to monetary damages.

- We may be subject to product liability and/or other claims if people or properties are harmed by the products we sell or the services we offer.

- Disruptions, failures or breaches of our information technology and cloud computing infrastructure could have a negative impact on our operations and sales.

- As part of our business plan, we intend to develop new product lines for new industry segments and new products in existing product lines, and to expand our marketing and sales efforts in new and existing market segments and geographical areas. There is no assurance that such expansion plans will be commercially successful. If we fail to achieve a sufficient level of revenue or if we fail to manage our production costs effectively, we will not be able to recover our costs, and our future financial position and performance may be materially and adversely affected.

- The location of the Company in Israel, and the concentration of its research and development and manufacturing activities there, remains a geopolitical risk factor.

The Audit Committee and Management have analysed these and many more risk factors and have compiled a matrix of risks pertaining to the Company's business and performance, financial management, information technology (IT) and regulatory compliance issues, delineating the severity of their potential negative impairment to the Company and their probability of being realised. Thus, a comprehensive weighted prioritised risk factor list has been derived. The Audit Committee has reviewed the Company's internal controls and their adequacy at addressing the aforementioned risks in general, and has engaged the services of the Internal Auditor for in-depth analyses of key issues on a routine basis. The primary areas that have been so audited in FY2015, and the internal controls fine-tuned appropriately as per the findings of said audits, have been the new building project in Surat, India, quality control, and customer service in Israel, as well as pre- and post- sale standard operating procedures, payment to vendors and IT information security in our Indian subsidiary. In previous years the areas audited were inventory purchasing, sales cycle, payment security and information security in Israel as well as purchasing, spare parts inventory, service centre operations, collection of receivables, customer credits, attendance and payroll and information control and integration between Sarin India and Sarine Israel. All the findings of said audits have been reviewed by the Board, with appropriate enhancements to the internal controls agreed upon with Management. In many instances (e.g., the new building project in Surat, India, service centre operations, IT information security, customer information confidentiality, information control and integration, purchasing, inventory and attendance and payroll), repeat reviews have been executed to verify the necessary corrective actions due implementation.

The Board of Directors, with the concurrence of the Audit Committee, is of the opinion that the internal controls which have been and are being put in place should adequately address the aforementioned as well as other risks pertaining to our business operations, finance, IT and compliance with our regulatory environment.

Financial Review

Cash Flow

As at 31 December 2015, cash, cash equivalents and short-term investments (bank deposits) ("Cash Balances") decreased to US$ 32.6 million from the US$ 45.5 million reported as of 31 December 2014, following the Group's tepid profitability and the payment of US$ 12.2 million in dividends in 2015 - the US$ 5.2 million interim dividend for 2015 paid in September 2015 and the US$ 7.0 million final dividend for the fiscal year 2014 paid in May 2015, the Group's US$ 1.3 million buy-back of its shares in the open market in 2015 and other cash outlays such as the payment of US$ 3.0 million in Q2 2015 to a licensor of software utilised in the Galaxy™ family of products (resulting in an equivalent increase in intangible assets on the Group's balance sheet) and the outlay of US$ 0.9 million related to the building project in Surat.

Cash Management and Liquidity

Throughout 2015 the Group maintained cash reserves higher than needed for the financing of ongoing operating activities. The policy dictated by the Board of Directors for the management of these cash surpluses is to invest them in low-risk short-term interest-bearing accounts and instruments with high liquidity, in our working currencies - primarily US Dollars, but also New Israeli Shekels and Indian Rupees. Financial instruments held are classified as current assets. When the cash and investment (short-term deposits) balances are analysed and compared to the annual cash requirements needed for the financing of the ongoing business activities of the Group, it is apparent that the Group has strong liquidity.

Accounting Policies

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards - IFRS. The preparation of financial statements, in conformity with the IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The financial statements are presented in United States Dollars, which is the Group's functional currency, rounded to the nearest thousand. The accounting policies set out in our yearly financial reports have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently to all Group entities.

For more detailed information on our accounting policies and related explanations, please refer to our Consolidated Financial Statements.

Shareholder Return

Sarine is a profitable company. Notwithstanding the extremely challenging industry conditions during FY2015 the Company still earned US$ 3.6 million, equivalent to basic earnings per share of US cents 1.03 (7.83 in FY2014) and fully diluted earnings per share of US cents 1.02 (7.70 in FY2014).

For FY2015, the Group's dividend policy provided for the distribution of US cents 2.5 on a semi-annual basis as a dividend to its shareholders. As circumstances were challenging, the Board of Directors reduced actual semi-annual payments to only US cents 1.5. For FY2015 the Company paid in September 2015 an interim dividend of US cents 1.5, approximately US$ 5.2 million in total, and will pay (subject to approval at the Annual General Meeting on 19 April 2016) a final dividend also of US cents 1.5 per share, an estimated US$ 5.2 million, amounting to approximately US$ 10.4 million in total for the year. This sum is in excess of our net earnings for the year (292% of net earnings) and demonstrates Management's and the Board's belief that FY2016 will indeed show a return to more robust activity and the commensurate revenues and profitability previously demonstrated by the Group.

The Board believes the worst of the industry downturn is behind us. However, the extent and speed of the recovery are not yet clear, nor are the possible effects on our business results of current instabilities in the equity markets and the conversion rates of currencies in our primary markets. Therefore, for FY2016, the Board of Directors has decided to reduce the 2015 declared dividend policy of US cents 2.5 every six months, which was, regrettably, not paid, due to the very challenging industry conditions last year, back to the 2014 dividend policy of US cents 2.0 every six months, subject to semi-annual Board approval, the Annual General Meeting's approval of the final dividend and subject to business conditions, financial results, other pre-empting uses of funds, statutory and tax issues, etc.

Corporate Social Responsibility

Being a global leader in our field, Sarine is committed to excellence and leadership in research and development, in quality manufacturing, in sales ethics and in customer service and support. It is our sincerest belief that we can and do contribute to the industry, by offering products and services that inspire confidence, both in our client manufacturers and in the consumer public, in the quality and value of the polished diamonds produced and offered for sale.

As a respectable member of the modern business environment, we have adopted a Code of Ethics to guarantee we create and maintain appropriate relationships with our business partners, customers and employees, based on all relevant legal statutes, mutual respect, fair play, transparency and sustainable long-term business practices.

Following are the key tenets of our Code of Ethics on which we base our everyday business execution:

- We treat our business partners, customers and employees with fairness and dignity.
- To the best of our ability, we create a safe and protective work environment for our employees, and we offer our customers safe products, with which to similarly create a safe work environment for their employees.
- In order to ensure operator safety, our products and services undergo strict checks, which are constantly revisited by our own engineers and by third-party experts. Operating instructions and / or training are provided, as applicable, with regard to the proper and safe use of our products and, where necessary, built-in safeguards are provided to prevent inadvertent unsafe operation.
- Wherever applicable, we ourselves employ, and we instruct our customers as to how to similarly take, all necessary measures for the safe and environmentally friendly use and disposal of even marginally hazardous materials, as per directions from appropriately authorised expert consultants.
- We believe our business does not impact the ecological balance of our environment and does not have any influence on the sustainability of the industry or the human / natural fabric in which we operate.
- Our human resources policies protect the rights and interests of the Group's employees, as dictated by all applicable laws. Moreover, we go beyond statutory requirements to ensure a beneficial employment environment for our employees. In India, for example, the Group's Indian subsidiary actively ensures that all its employees and their immediate families receive an annual expanded medical checkup, on the company's premises and in lieu of working time, with a view to promote their healthcare.
- We maintain strict policies with regard to equality in the workplace, regardless of sex, age, religion, ethnicity, disability or other personal traits or beliefs, including the strict and swift treatment of any sexual harassment incidents, so as to provide a fair, safe and amicable workplace.
- We actively seek to employ employees living with various disabilities in order to promote equal opportunity in the workplace.
- We strive to offer our employees engaging career paths, advancing them professionally with appropriate training.
- We maintain open communication lines between all our employees and the various levels of management, encouraging our employees to comment on, improve and critique the Company's activities. We have put in place a formal whistleblower policy, encouraging employees and business partners to report on any illegal, improper or unfair practises they may encounter in their dealings with Sarine.
- We reward our employees for their contribution to the Group's success, either by cash bonuses, grants of options or otherwise.
- The Group organises multiple annual sports and leisure activities for the employees and their families, so as to enhance the team spirit of our employees and reward them for their performance.

The Group and its employees see great importance in giving back to the community. In recent years we have participated in local and national programs for the support of the weaker and less privileged segments of our society, such as employee volunteering in a mentoring program for weaker students sponsored by the Kfar Saba Municipality, participation in activities sponsored by the Israel Centre for Assistive Devices, Building and Transportation for the Disabled, and Leket Israel, the country's largest food bank and food rescue network working to alleviate the problem of nutritional insecurity. Sarine annually enrolls in the nationally-sponsored **"Day of Good Deeds"**, where management and employees execute specific projects to the benefit of the needy. To demonstrate our commitment to these important issues, the Group underwrites these activities by permitting staff to participate in the aforesaid activities at the expense of normal working hours.

In India, our most significant market, we have also adopted and implemented a corporate social responsibility policy. In Lalita Chokadi and Katargam, Surat, India's diamond manufacturing center, we have 'adopted' two primary schools from the Gujarat government, serving over 2,000 children. Among other initiatives, Sarine has installed a new water plant, arranged a special housekeeping staff, installed carpeting and cupboards, and set up new computer labs. In addition, employees of Sarin India volunteered at the school, providing informal teaching, enrichment programs and extracurricular activities to the children.

Group Structure

The following chart accurately depicts the Group's structure at the time of this report.

SARINE TECHNOLOGIES LTD.

- 100% Galatea Ltd[1]
- 100% Sarin Technologies India Pvt Ltd[2]
- 100% Sarine Color Technologies Ltd[3]
- 100% Sarine Polishing Technologies Ltd[4]
- 100% Sarin Hong Kong Ltd[5]
- 100% Sarine Holdings USA Ltd[6]
  - Sarine North America Inc.[7]
  - Sarine IGT 10I Inc.[9]
  - Sarine IGT 10H Inc.[8]
  - Sarine IGT 10JKL Inc.[10]
- 23% IDEX Online SA[11]

1 **Galatea Limited –** The developer of proprietary technology for the fully automated detecting and mapping of internal inclusions in rough diamonds (the Galaxy™, Galaxy™ Ultra, Galaxy™ XL, Solaris™ and Meteor™ products). The developer of proprietary technology for the fully automated analysis, planning and cutting of non-diamond gemstones to their final non-faceted shape (the Allegro™ product).

2 **Sarin Technologies India Private Limited –** The provision of pre- and post-sales and technical support for our Group's products in India and Sri Lanka and such other territories as may be agreed by our Company and Sarin India from time to time. The operation of the service centres in India providing customers with inclusion detection and mapping for rough diamonds, laser sawing/cutting services, and light performance grading and online visualisation of polished diamonds.

3 **Sarine Color Technologies Limited –** The development, manufacture and marketing of instruments for assessing the light performance and for the on-line visualisation of polished diamonds.

4 **Sarine Polishing Technologies Limited –** The operation of service centres in Israel providing customers with inclusion detection and mapping for rough diamonds, and light performance grading and online visualisation of polished diamonds..

5 **Sarin Hong Kong Limited –** The provision of pre- and post-sales and technical support for our Group's products in the Far East, including China, HK, Japan, Korea, Taiwan and Singapore.

6 **Sarine Holdings USA Limited –** An Israeli holding company for the Group's North American subsidiaries.

7 **Sarine North America Inc. –** The Group's operating company for Sarine's North American operations

8 **Sarine IGT 10H Inc. –** A real estate holding company for one of the three office units in the International Gem Tower

9 **Sarine IGT 10I Inc. –** A real estate holding company for one of the three office units in the International Gem Tower

10 **Sarine IGT 10JKL Inc. –** A real estate holding company for one of the three office units in the International Gem Tower

11 **IDEX Online SA –** A publisher of a leading trade magazine and an operator of a web portal for news, analyses and polished diamond price indexes, including a business-to-business (B2B) polished diamond trading e-commerce platform and a business-to-consumer (B2C) polished diamond web site.

Financial Contents

Sarine's shares were listed for trade in the SGX-ST in April 2005.

The Company's corporate governance practices are described with specific reference to the Code.

BOARD OF DIRECTORS

Principle 1: Board's Conduct of its Affairs

The Board of Directors of the Company (the "Board") is entrusted with the responsibility for the overall management of our Com pany. The Board's primary roles are to set the Company's goals and policies and supervise the performance of the CEO's duties. Among other things, the Board sets the Company's goals (giving proper weight to all groups of the Company's concerned parties, e.g. business partners, customers, employees etc., and in view of the Company's responsibility to its shareholders), approves the Company's action plans and budget (proposed by the Company's management), and reports to the Annual General Meeting about the state of the Company's matters and about the Company's business results.

In line with applicable law, the Board is entrusted with all issues related to the Company's share capital, assumes the responsibility for the approval of the Company's financial statements and sets the Company's goals and policies. The Board also appoints the CEO and oversees the performance of his duties.

Within this framework, the Board discusses and resolves any matters which require the Board's approval under any applicable law (including, without limitation, interested persons' transactions) and/or under the guidelines set by the Board. In general any material issue concerning Sarine (e.g. material research and development milestones, material market and/or business development issues, potential material transactions, substantial capital investments, etc.) is brought to the attention of the Executive Directors and to the Board in its entirety.

The Board meets regularly and in any event no less frequently than four times every calendar year. The Company's Articles of Association (the "Articles") and the Israeli Companies law allow the convening of meetings of the Board using conference calls or any other device allowing each Director participating in such meeting to hear all the other Directors participating in such meeting.

The Directors are provided with written and oral guidance with regard to the performance of their duties as directors prior to, and following, their appointment as directors.

Principle 2: Board Composition and Guidance

As of the date of this report, the Board of Directors comprises nine directors, three of whom are independent (all three also qualify as "External Directors", under the Israeli law).

Mr. Chan Kam Loon has been appointed by the Board as the lead independent director.

With the exception of Mr. Avraham Eshed (who joined the Board on 24 April, 2006) and Mr. Uzi Levami (who joined the Board on 11 December, 2008), all of the directors joined the Board of Directors in March 2005, prior to the listing of the Company.

All of the current directors of the Company were re-elected for an additional three-year period, in the Company's Annual General Meeting on 29 April, 2014.

The Nominating Committee reviews the independence of each director annually and applies the Code's definition (as well as the definitions of the Israeli law) of independent director qualifications in its review.

Key information about the directors is detailed in the "Board of Directors" section of the annual report.

The directors of the Company in office at the date of this report are:

Executive	Non-Executive	Independent
Mr. Daniel Benjamin Glinert	Mr. Avraham Eshed	Mr. Chan Kam Loon (Lead)
Mr. Uzi Levami	Mr. Ehud Harel	Mr. Yehezkel Pinhas Blum*
Mr. Eyal Mashiah	Mr. Hanoh Stark	Ms. Valerie Ong Choo Lin

*Mr. Blum is also a member of the Executive Committee of the Board since February 28, 2016.

There are no permanent alternate directors (alternate directors have been appointed in the past in very few cases and only for specific meetings; no alternate directors were appointed in 2015).

The Board draws from a broad spectrum of competencies and disciplines: from the diamond and gemstones industry, the high-tech industry, the business community, capital markets, legal practice and management. The Board is of the opinion that its size and composition address the Company's needs and plans.

The members of the Board are informed periodically (whether during Board meetings or otherwise) of any developments and updates, concerning their powers and duties under applicable laws. Directors also consult with the Company's general counsel and company secretary on an ongoing basis, with regard to the performance of their duties.

Principle 3: Chairman and Chief Executive Officer

The Executive Chairman and the CEO of the Company are separate individuals. They are not related.

According to the resolution of the Board:

"The Company is of the view that a distinct separation of responsibilities between the Chairman and the CEO will indeed ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

As the most senior executive in the Company, the CEO bears executive responsibility for the Company's day-to-day business according to the policies set by the Board and subject to the Board's directives, and works with the Board on strategic planning, business development and generally charting the growth of the Company.

The CEO shall report to the Executive Committee of the Board (comprised of the Executive Directors and of Mr. Yehezkel Pinhas Blum, an External Director) on a continuous and frequent basis and shall seek the Executive Committee's advice and consent. The Executive Committee may instruct the CEO with regard to the implementation of the Board's policies and with regard to the strategic aspects of the Company's activities and such instructions shall be deemed as given by the Board.

The Chairman bears responsibility for the proper functioning of the Board and the Board's committees (and of the non-executive directors in particular), maintains on-going supervision over the management of the Company and over the flow of information from the Company's management to the Board, and assists in promoting high standards of corporate governance and ensuring compliance with the Company's guidelines of corporate governance.

The Chairman ensures that Board meetings are held when necessary and sets the Board meetings agenda in consultation with the CEO.

The Chairman ensures effective communication between the Board and the Company's shareholders."

Principle 4: Board Membership

According to the Articles, each director shall serve, unless the Annual General Meeting appointing him or her provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such director was appointed, or his or her earlier resignation or removal pursuant to the provisions of the Articles. A director who has completed his or her term of service or has been removed as aforesaid shall be eligible for re-election. The directors who qualify as "External Directors" may be removed from office only if they no longer qualify to serve as such.

The Nominating Committee comprises five directors, a majority of whom, including the Chairman, is independent. As at the date of this Report, the Nominating Committee members are:

Ms. Valerie Ong Choo Lin	(Chairperson and Independent Director)
Mr. Yehezkel Pinhas Blum	(Independent Director)
Mr. Chan Kam Loon	(Lead Independent Director)
Mr. Daniel Benjamin Glinert	(Executive Director)
Mr. Eyal Mashiah	(Executive Director)

Our Nominating Committee is responsible for the:

(a) re-nomination of directors (including independent directors of our Company) taking into consideration each director's contribution and performance;
(b) determining on an annual basis whether or not a director is independent; and
(c) deciding whether or not the members of the Board are able to and have been adequately carrying out their duties as directors

Principle 5: Board Performance

Our Nominating Committee decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which are used to assess the degree to which the Board enhances long-term shareholder value. The performance evaluation also takes into consideration our share price performance over a five-year period vis-à-vis the Straits Times Index. The Board implemented a process to be carried out by our Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director to the effectiveness of the Board. Such assessment is to be conducted prior to the end of the term of service of such directors.

Throughout 2015, the Board was convened 4 times.The attendance (in person) of the directors in the Board meetings held in 2015 was as follows:

	Board of Directors – 2015	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Daniel Benjamin Glinert	4	4
Mr. Uzi Levami	4	4
Mr. Eyal Mashiah	4	4
Mr. Avraham Eshed	4	4
Mr. Ehud Harel	4	4
Mr. Hanoh Stark	4	4
Mr. Yehezkel Pinhas Blum	4	4
Mr. Chan Kam Loon	4	4
Ms. Valerie Ong Choo Lin	4	4

The attendance of the directors in the Audit Committee meetings held in 2015 is as follows (in addition, a written resolution was passed on one occasion):

	Audit Committee – 2015	
Name of Director	**No. of Meetings Held**	**Attendance**
Mr. Chan Kam Loon	5	5
Mr. Yehezkel Pinhas Blum	5	5
Ms. Valerie Ong Choo Lin	5	5

The attendance of the directors in the Remuneration Committee meetings held in 2015 is as follows:

	Remuneration Committee – 2015	
	No. of Meetings Held	**Attendance**
Mr. Yehezkel Pinhas Blum	1	1
Mr. Chan Kam Loon	1	1
Ms. Valerie Ong Choo Lin	1	1
Mr. Hanoh Stark	1	1

Principle 6: Access to Information

The management of the Company provides the Board with interim and periodical (quarterly/annual) financial reports, budget control reports and additional financial and operational information. The Board has separate and independent access to senior management of the Company. Requests for information from the Board are dealt with promptly. The Board, acting through its Executive Committee, is informed on all material events and transactions as and when they occur. Professional advisors may be appointed to advise the Board, or (in special circumstances – as provided by Israeli law) any of its members, if the Board or any individual member thereof needs independent professional advice.

The Company Secretary (who also serves as an external legal counsel to the Company) attends all Board and Board committees' meetings and is responsible for ensuring that Board procedures are followed and for the recording of the minutes. Together with the Chairman and the management staff of the Company, the Company Secretary is responsible for compliance with the applicable laws, rules and regulations in this regard.

Principles 7, 8 & 9: Procedures for Developing Remuneration Policies, Level and Mix of Remuneration, and Disclosure of Remuneration

The Remuneration Committee comprises 4 directors, a majority of whom, including the Chairman, is independent. As at the date of this report, the Remuneration Committee members are:

Mr. Yehezkel Pinhas Blum	(Chairman and Independent Director)
Mr. Chan Kam Loon	(Lead Independent Director)
Ms. Valerie Ong Choo Lin	(Independent Director)
Mr. Hanoh Stark	(Non-Executive Director)

Our Remuneration Committee recommends to our Board of Directors a framework of remuneration for our directors and key executives, and recommends specific remuneration packages for each Executive Director. All aspects of directors' and key executives' remuneration, including but not limited to directors' fees, salaries, allowances and bonuses, options and benefits in kind are dealt with by our Remuneration Committee. Each member of our Remuneration Committee shall abstain from voting on any resolutions in respect of his/her remuneration package. The remuneration of our Independent Directors, who are deemed also as "External Directors" according to the provisions of the Israeli Companies, is also subject to the limitations set by Israeli law.

The Company's overall three-year remuneration policy and specific remuneration packages for the directors and key executives were presented to the General Meeting and approved by it on the Annual General Meeting held on 30 April 2013. As per the requirements of the Israeli Companies' Law, the Company's updated remuneration policy (as well as specific remuneration packages for the directors) shall be brought to the Annual General Meeting, scheduled to be held on 19 April 2016.

Our Non-Executive Directors received for their services during 2015 participation fees – based on their actual participation in the meetings of the Board of Directors, the Audit Committee, and the Remuneration Committee - amounting in the aggregate (for the three Non-Executive Directors) of less than S$ 20,000 (excluding the impact of non-cash option compensation. The participation fees paid to our Non-Executive Directors are equal to the fees paid to our Independent Directors per meeting (which participation fees are subject to the limitations set by Israeli law - as aforesaid). Our Independent Directors received (in the aggregate) less than S$ 173,000 (excluding non-cash option compensation) for their services in 2015 (the cash remuneration of our Independent Directors is comprised of annual fees and participation fees). The Executive Directors, one of whom was also remunerated as Chief Executive Officer during 2015, received (together) approximately S$ 632,000 for their services (excluding non-cash compensation expense which was negative in 2015). The remuneration arrangements of our Executive Directors include performance-based incentives, including non-cash option compensation.

The remuneration (including performance cash-based incentives and non-cash option compensation) paid and accrued by us and our subsidiaries to each of our directors and our top five (in terms of amount of remuneration) employees (not being directors) for services rendered to us in all capacities during 2015, were as follows:

Directors:

Name	Position	Remuneration (in S$)	Breakdown between Fixed Income and Performance Based Incentives (%)		
			Fixed Income	Cash Performance Based Incentives	Options (Non-Cash, Based on Fair Value)
Mr. Daniel Benjamin Glinert	Executive Director and Chairman	S$175,000	100%	--	NM[1]
Mr. Uzi Levami	Executive Director and CEO	S$340,500	100%	--	NM[1]
Mr. Eyal Mashiah	Executive Director	S$116,500	100%	--	NM[1]
Mr. Yehezkel Pinhas Blum	Independent Director	S$291,500	22%	--	78%[2]
Mr. Chan Kam Loon	Independent Director	S$283,000	19%	--	81%[2]
Ms. Valerie Ong Choo Lin	Independent Director	S$283,000	19%	--	81%[2]
Mr. Avraham Eshed	Non- Executive Director	S$6,500	100%	--	NM[1]
Mr. Ehud Harel	Non- Executive Director	S$6,500	100%	--	--
Mr. Hanoh Stark	Non- Executive Director	S$6,500	100%	--	--

1 Not meaningful, as non-cash compensation expense was negative in 2015

2 Non-cash compensation expense based on fair value of time-based options

Top Five Key Management Personnel:

Name	Position	Remuneration (in bands)	Breakdown between Fixed Income and Performance Based Incentives (%)		
			Fixed Income	Cash Performance Based Incentives	Options (Non-Cash, Based on Fair Value)
Mr. David Block	COO	Band 2	100%	--	NM*
Mr. William Kessler	CFO	Band 2	100%	--	NM*
Mr. Roni Ben Ari	VP, Diamond Manufacturing Activities	Band 2	81%	--	19%
Mr. Abraham Kerner	VP Research & Development	Band 2	77%	--	23%
Mr. Rajesh Kothari	General Manager, Sarin India	Band 2	76%	--	24%

Notes:
* Not meaningful, as non-cash compensation expense was negative in 2015.
Band 1: remuneration of up to S$ 250,000 per annum.
Band 2: remuneration of between S$ 250,001 to S$ 500,000 per annum.

The aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO) for the year ended 31 December 2015 was S$ 1,627,000 (including the aggregate fair value of non-cash option compensation).

Any future arrangements concerning the remuneration of our directors shall be brought to the approval of our Remuneration Committee, Board of Directors and General Meeting.

Any future arrangements concerning the remuneration of our key executives shall be brought to the review of the Remuneration Committee and Board of Directors.

Incentive-based compensation which is linked to the Company's business results, is based on audited financial results and may be corrected after the fact (and reimbursed by the beneficiary), if subsequent audits find errors which call for restatements of results.

Since its listing on the SGX-ST, the Company has been granting share options to its employees under its 2005 Share Option Plan (the "2005 Plan"). The 2005 Plan is described in the Company's prospectus and a copy thereof is attached to the said prospectus. Given the expiry of the Plan, following the lapse of its ten-year term, the Company's General Meeting, held on 20 April, 2015 has approved a new Share Option Plan, substantially similar to the 2005 Plan (the "2015 Plan"). The Board of Directors has set guidelines concerning, among other things, eligibility to receive share options (based on performance and time of service with the Company), vesting periods (typically over four years from the date of grant; three years for executive directors, the CEO and senior officers) and the minimum and maximum amounts of share options to be granted (based on seniority and expertise). Executive Directors, senior officers and key employees are also granted performance-based options, to be vested over three years, based upon the achievement of business goals – as discussed in greater detail in the Company's remuneration policy – which was approved by the Company's AGM held on 30 April, 2013 and in the Company's new remuneration policy – which will be brought to the Company's AGM scheduled for 19 April 2016. During 2015, all share options granted under the 2005 Plan were granted at the Market Price (as such term is defined in the Plan). No Options have been granted in 2015 under the 2015 Plan. Further details with regard to the options granted by the Company may be found in the "Directors Report" section of the annual report.

The Company has no employees who are immediate family members of a director or the CEO, and whose remuneration exceeded S$ 50,000 during the year.

Principle 10: Accountability

The Board is accountable to the Company's shareholders. The Board provides the shareholders with periodical, and to the extent necessary and/or required – immediate, reports with regard to the business, financial and other aspects of the Company's activities.

The management of the Company provides the Board in general, and the Executive Directors in particular, with management accounts regarding the Company's performance. Such accounts are provided to the Executive Directors on an ongoing basis and to the Directors on a periodical basis (and where needed - as warranted by the circumstances).

Principles 11, 12 & 13: Audit Committee, Internal Controls and Internal Audits

The Audit Committee comprises three directors, all of whom, including the Chairman, are independent. As at the date of this Report, the Audit Committee members are:

Mr. Chan Kam Loon	(Chairman and Lead Independent Director)
Mr. Yehezkel Pinhas Blum	(Independent Director)
Ms. Valerie Ong Choo Lin	(Independent Director)

The members of our Audit Committee possess vast and diverse accounting, financial, commercial and legal expertise and experience. Mr. Chan Kam Loon has a degree in accountancy and is qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales, Mr. Yehezkel Pinhas Blum has a degree in economics and business administration and Ms. Ong heads the Corporate Finance practice in the Singapore law firm of Rodyk and Davidson. Each of them has more than twenty years' financial/business experience. Further details with regard to expertise and experience of the members of our Audit Committee may be found in the "Board of Directors" section of the annual report.

Our Audit Committee assists our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Company, in consultation with the internal auditor. Under its terms of reference, our Audit Committee may seek any information it requires from any employee and all employees are directed to co-operate with any requests made by our Audit Committee. Our Audit Committee also provides a channel of communications between our Board, our management and our internal and external auditors on matters relating to audit.

The Audit Committee meets periodically and performs the following functions:

(a) reviews the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

(b) reviews with the internal and external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(c) reviews the quarterly and annual financial statements and statement of financial position and statements of comprehensive income and the Appendix 7.2 report thereon before submission to our Board for approval, ensuring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(d) reviews the internal control procedures and recommends to the Board ways and means to ensure the adequacy of the Group's Internal Control Procedures (including financial, operational, compliance and information technology controls, and risk management systems); indeed, the Audit Committee and Board are of the opinion, upon consultation with the Company's external auditors and the internal auditor of the Company (who conducted a follow up review, based on previous findings) and based on ongoing discussions with the management of the Company, that the Internal Control procedures of the Group are adequate;

(e) Ensures co-ordination between the external auditors and our management, and reviews the assistance given by our management to the auditors, and discusses problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);

(f) reviews and discusses with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Company's operating results or financial position, and our management's response;

(g) considers and recommends to the Board to appoint and re-appoint the internal and external auditors and matters relating to the resignation or dismissal of the auditors; consider and recommends to the Board with regard to the fees of the internal and external auditors;

Indeed, based on the review of the external auditors' credentials and their registration with and reporting to the Public Company Accounting Oversight Board (PCAOB), a member of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of accounting firms, the Board and the Audit Committee have confirmed the external auditors' suitability and their ability to meet their audit obligations. The Board and the Audit Committee further satisfied themselves that the external audit firms possess the adequate resources, experience and expertise and that the audit engagement partners and the supervisory and professional staff assigned to the particular audit possess the necessary skills and experience required for such task;

(h) reviews interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual or within the scope of those interested persons transactions that require the approval of the Audit Committee pursuant to Israeli Companies Law;

(i) reviews potential conflicts of interest, if any;

(j) reviews the remuneration packages of employees who are related to our directors and/or substantial shareholders, if any;

(k) undertakes such other reviews and projects as may be requested by our Board, and reports to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;

(l) generally undertakes such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time; and

(m) sets an arrangement by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Apart from the duties listed above, our Audit Committee communicates and reviews the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating units and/or financial position.

The Group's internal controls and systems are designed to provide reasonable assurance to the integrity and reliability of the financial information.

The Board has received assurance from the Company's CEO and CFO:

1. that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finance; and
2. regarding the effectiveness of the company's risk management and internal control systems.

Based on the recommendations of the Audit Committee, the Board of Directors appointed, in August 2009, Mr. Doron Cohen, CPA, CIA, of Fahn Kanne Control Management, Ltd., subsidiary of Fahn Kanne and Co., Certified Public Accountants (Isr.) (Member firm of Grant Thornton International), as the Internal Auditor of the Company. The role of the Internal Auditor is to independently examine, among other things, whether our activities comply with the law and orderly business procedures. Our Internal Auditor submits his work plans to the prior approval of the Audit Committee and presents his findings to the Audit Committee and to the Board of Directors.

The external auditors of the Group are Somekh Chaikin Certifed Public Accountants (Isr.), member firm of KPMG International (partner in charge, Ehud Lev, appointed with effect 1 January 2013) and Chaikin, Cohen, Rubin and Company (partner in charge, Ilan Chaikin, appointed with effect 1 January, 2012). The Group engages a suitable auditing firm, BSR & Co., member firm of the KPMG network of independent member firms affiliated with KPMG International, for the statutory audit of its significant foreign-incorporated subsidiary, namely Sarin Technologies India Private Limited.

The Company has complied with Rule 712 and Rules 715/716 of the Listing Manual.

The Company has paid to its external auditors an aggregate amount of US$ 273,000 for services rendered in 2015, out of which amount, US$ 190,000 (approximately 70%) were paid as audit fees, US$ 68,000 (approximately 25%) were paid as tax fees and US$ 15,000 (approximately 5%) were paid for other audit related services.

The Audit Committee confirms that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that given the scope and nature of the non-audit related services, such services should not, in the Audit Committee's opinion, affect the independence of the external auditors.

Principles 14 & 15: Communication with Shareholders and Greater Shareholder Participation

The Company's results are published through the SGXNET and news releases. The Company does not practice selective disclosure. Price-sensitive information is first publicly released, either before the Company meets with any group of analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period.

The Company's Chairman and senior management meet and discuss frequently with analysts and investors, and presentations made by the Company in such events are generally shared with the public at large.

All shareholders of the Company are provided with the annual report and notice of the convening of the Annual General Meeting. At the Annual General Meeting shareholders are given the opportunity to air their views and ask directors or management questions regarding the Company. The Company uses audio conference and video conference facilities in order to enable and encourage greater participation in its meetings.

The Articles were amended in 2015, so to allow a member of the Company to appoint more than two proxies to attend and vote instead of such member.

DEALINGS IN SECURITIES

The Company has complied with the following best practices on dealings in securities:—

(a) The Company has adopted its own internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in its securities;

(b) According to such code an officer of the Company should not deal in the Company's securities on short-term considerations; and

(c) According to such code the Company and its officers and employees do not deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

MATERIAL CONTRACTS

Throughout the financial year under review the Company was not a party to any Material Contracts involving the Chief Executive Officer, directors or controlling shareholders.

INTERESTED PERSON TRANSACTIONS

All interested person transactions are considered and reviewed by the Board of Directors, and to the extent required by the Listing Manual and/or the Israeli Companies Law, also by the Audit Committee and the General Meeting

Our internal control procedures are designed to ensure that all interested person transactions, including interested person transactions involving companies related to our Company, are conducted at arm's length and on commercial terms.

Throughout the financial year under review the Company was not a party to any interested party transaction the financial scope of which exceeded S$ 100,000, except as noted below:

On 15 September, 2013, and later on in 2015, the Company extended the lease of 224 square meters of office space in the Israeli Diamond Exchange building, from a company controlled by Mr. Avraham Eshed, a director of the Company, through 31 December 2015. The monthly rent for the first year period following renewal in 2013 was US$ 10,069 per month, and thereafter was US$ 10,875 per month. For the year ended 31 December, 2015, the annual rent paid was approximately US$ 131,000. In addition the Company paid in 2016, approximately US$ 10,000 for repairs and restoration upon conclusion of the lease period.

Directors' Report

We are pleased to submit this annual report to the shareholders of the Company together with the audited statements for the financial year ended 31 December 2015.

Directors

The Directors in office at the date of this report are as follows:

Daniel Benjamin Glinert, Chairman of the Board and Executive Director
Uzi Levami, Executive Director and Chief Executive Officer (CEO)
Eyal Mashiah, Executive Director

Avraham Eshed, Non-Executive Director
Ehud Harel, Non-Executive Director
Hanoh Stark, Non-Executive Director

Chan Kam Loon, Lead Independent Director
Yehezkel Pinhas Blum, Independent Director
Valerie Ong Choo Lin, Independent Director

Directors' Interests

According to the share register kept by the Company for the purposes of Sections 127 and 128 of the Israeli Companies Law, 5759-1999 (the "Law"), and according to the information provided to the Company by our directors, particulars of interests of directors who held office at the end of the financial year 2015 (the "Year") in shares in the Company and in related corporations, other than wholly owned subsidiaries, are as detailed below. Except as listed hereunder, none of our directors who held office at the end of the Year had any direct interest in the Company's shares – neither at the beginning of the Year, nor at the end of the Year, nor as at 21 January 2016.

The Company	As at 1 January 2015	As at 31 December 2015*	As at 21 January 2016
Ordinary Shares of the Company of no par value each			
Daniel Benjamin Glinert[1]	45,451,250	12,299,156	12,299,156
Avraham Eshed[2]	366,250	15,098,022	15,098,022
Ehud Harel[3]	100,347,000	25,796,348	25,796,348
Uzi Levami[4]	45,387,500	12,235,406	12,235,406
Chan Kam Loon[5]	555,000	563,000	563,000
Eyal Mashiah[6]	625,000	16,325,096	16,325,096
Valerie Ong Choo Lin[7]	575,000	575,000	575,000
Hanoh Stark[8]	100,159,500	24,590,524	24,590,524

[1] Daniel Benjamin Glinert is deemed a shareholder of the Company by virtue of his indirect ownership through Glinert Projects Initiation and Execution, Ltd. of 5,573,953 shares held on his and his wife's (Michal Haya Glinert) behalf by Bank Hapoalim (Israel) through HSBC Singapore custodians, by virtue of his and his wife's indirect ownership through Glinert Projects Initiation and Execution, Ltd. of 5,423,953 shares held on his behalf by UOB Kay Hian Pte. Ltd., by virtue of his indirect ownership of 300,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan, and by virtue of the indirect ownership of 1,000,750 Shares held on his wife's behalf by UOB Kay Hian Pte. Ltd.

[2] Avraham Eshed is deemed a shareholder of the Company by virtue of his indirect ownership through Gemstar, Ltd. of 14,731,772 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians, 187,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan, and by virtue of his indirect ownership of 178,750 shares held on his behalf by Union Bank of Israel Ltd.

[3] Ehud Harel is deemed a shareholder of the Company by virtue of his indirect ownership through Hargem, Ltd. of 25,608,848 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians and, by virtue of his indirect ownership of 187,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan.

[4] Uzi Levami is deemed a shareholder of the Company by virtue of his indirect ownership through U. Levami Holdings, Ltd. of 11,622,906 shares held on his behalf by Bank Hapoalim (Israel) through HSBC Singapore custodians and by virtue of his indirect ownership of 612,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd., pursuant to the Plan.

[5] Chan Kam Loon is deemed a shareholder of the Company by virtue of his direct holdings of 539,000 shares and by virtue of the direct holdings of his wife (Au Yin Ling Patricia) of 24,000 shares.

[6] Eyal Mashiah is deemed a shareholder of the Company by virtue of his indirect ownership through Ramgem, Ltd. of 15,600,096 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians and by his indirect ownership of 625,000 shares held on his behalf by UOB Kay Hian Pte. Ltd and 100,000 shares held on his behalf by Bank Leumi Ltd. through DBS Singapore custodians

[7] Valerie Ong Choo Lin is deemed a shareholder of the Company by virtue of her indirect ownership of 575,000 shares held on her behalf by Bank of Singapore Nominees

[8] Hanoh Stark is deemed a shareholder of the Company by virtue of his indirect ownership through Stark Hanoh Holdings, Ltd. of 24,590,524 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians.

* After January 1, 2015 Sarin Research and Development Ltd. and Interhightech (1982) Ltd., substantial shareholders of the Company till such date, transferred all their holdings in the Company to their respective shareholders, including the aforementioned directors. Following such transfer neither Sarin Research and Development Ltd., nor Interhightech (1982) Ltd. hold any shares in the Company, and therefore, the deemed shareholdings of the aforementioned directors were reduced/increased accordingly, however no change in their beneficial holdings was effected. Please refer to the Company announcement of 19 January 2015 in this regard for further information regarding the divestment of Sarin Research and Development Ltd. and Interhightech (1982) Ltd. of their shares as noted.

	Shareholdings in which the director is deemed to have an interest*		
Related Corporations	As at 1 January 2015	As at 31 December 2015	As at 21 January 2016
Sarin Research and Development Ltd. **Ordinary Shares of NIS 0.01 par value each. Fully paid up**			
Hanoh Stark (Shares registered in the name of Hanoh Stark Holdings Ltd.)	32,689	32,689	32,689
Ehud Harel (Shares registered in the name of Hargem Ltd.)	34,051	34,051	34,051
Eyal Mashiah (Shares registered in the name of Ramgem Ltd.)	19,522	20,865	20,865
Avraham Eshed Shares registered in the name of Gemstar Ltd.)	18,160	19,503	19,503
Interhightech (1982) Ltd. **Ordinary Shares of NIS 0.01 par value each. Fully paid up**			
Daniel Benjamin Glinert (Shares registered in the name of Glinert Projects Initiation & Execution Ltd.)	9,893	9,893	9,893
Uzi Levami (Shares registered in the name of U. Levami Holdings Ltd.)	9,893	9,893	9,893

* As noted above, as of January 21, 2015, neither Sarin Research and Development Ltd., nor Interhightech (1982) Ltd. hold any shares of the Company. The data specified in this table is therefore applicable solely with regard to the period preceding such date.

Outstanding options granted to directors under the Company's 2005 Option Plan[1]

Name of Director	Options Outstanding	2015 share-based payment expenses (credit)	Year granted
Daniel Benjamin Glinert	338,000[2]	US$ (54,000)	2013
Uzi Levami	657,000[3]	US$ (67,000)	2013
Eyal Mashiah	328,500[4]	US$ (33,000)	2013
Avraham Eshed	484,500[5]	US$ (43,000)	2011 - 2013
Ehud Harel	--	--	--
Hanoh Stark	--	--	--
Yehezkel Pinhas Blum	400,000	US$ 173,000	2014
Chan Kam Loon	400,000	US$ 173,000	2014
Valerie Ong Choo	400,000	US$ 173,000	2014

1 Note – Options which were granted to directors under the Company's 2005 Option Plan and which were exercised thereafter are not included in the above table.

2 Note – in reference to the 900,000 options grant made to Daniel Benjamin Glinert on April 30, 2013, 300,000, out of the time based options and 38,000 out of the performance based options remain outstanding (the balance having expired). As at 31 December 2015, 200,000 time-based options have vested.

3 Note - in reference to the 1,500,000 options grant made to Uzi Levami on April 30, 2013, 600,000, out of the time based options and 57,000 out of the performance based options remain outstanding (the balance having expired). As at 31 December 2015, 400,000 time-based options have vested.

4 Note - in reference to the 750,000 options grant made to Eyal Mashiah on April 30, 2013, 300,000 out of the time based options and 28,500 out of the performance based options remain outstanding (the balance having expired). As at 31 December 2015, 200,000 time-based options have vested.

5 Note – in reference to the 750,000 options grant made on April 30, 2013 to Avraham Eshed (who retired from his office as an Executive Director of the Company on April 30, 2014), 100,000, out of the time based options and 9,500 out of the performance based options remain outstanding (the balance having expired). As at 31 December 2015, 475,000 time-based options, including 375,000 granted in 2011, have vested.

Except as disclosed in this report, no director who held office at the end of the Year had interests in shares or debentures of the Company or of related corporations, either at the later of the beginning of the Year or the commencement of his service as a director or at the end of the Year.

Except as disclosed in this report, the Company was not a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year (2015), and except as disclosed in the Company's audited financial statements for the Year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial interest.

The Directors are of the opinion, in concurrence with and based on Audit Committee review that the internal control procedures addressing financial, operational and compliance risks of the Group are adequate.

Share Options

In 2005 the Company adopted a share option plan (the "2005 Plan"), and since then granted options to employees and directors at no consideration. As of 31 December 2015, a total of 39,421,435 options were granted under the 2005 Plan, with each option being exercisable into one ordinary share each (of no par value) in the capital of the Company. The options under the 2005 Plan were granted at an exercise price ranging between S$ 0.087 and S$ 2.858 per option (according to the date of grant, and adjusted for the May 2012 bonus issue). As of 31 December 2015, there were 11,248,399 options outstanding under the 2005 Plan, and 20,208,551 options have been exercised under the 2005 Plan. The exercise period for options granted under 2005 Plan is six years from the date of grant, with a vesting period of up to four years. SGXNET announcements have been made on the dates of the various grants including details of the grant in accordance with the Listing Manual.

In 2015 the Company adopted a new share option plan (the "2015 Plan"). For the year ended 31 December 2015, no shares were granted under the 2015 Plan. The exercise period for options granted under the New Plan is six years from the date of grant, with a vesting period of up to four years.

Audit Committee

The Audit Committee of the Company was established on 8 March 2005 by the Board of Directors and comprises three independent directors. The members of the Audit Committee are Mr. Chan Kam Loon (Chairperson), Mr. Yehezkel Pinhas Blum and Ms. Valerie Ong Choo Lin. The Audit Committee assists the Board in discharging its responsibility to safeguard the Group's assets, maintains adequate accounting records, and develops and maintains effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group, in consultation with the internal and external auditors.

Auditors

The auditors, Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity, and Chaikin, Cohen, Rubin & Co., Certified Public Accountants (Isr.), have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Daniel Benjamin Glinert
Executive Director, Chairman of the Board

Uzi Levami
Executive Director and Chief Executive Officer

Eyal Mashiah
Executive Director

Israel
4 April 2016

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the Statement of Financial Position of the Group and Company and the consolidated financial statements of the Group as set out on pages 42 to 83 are drawn up so as to give a true and fair view of the Company and of the Group as at 31 December 2015 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) as at the date of this statement, there are reasonable grounds to assume that the Group will be able to pay its debts as and when they fall due.

On behalf of the directors

Daniel Benjamin Glinert
Executive Director, Chairman

Uzi Levami
Executive Director, CEO

Eyal Mashiah
Executive Director

4 April 2016

AUDITORS' REPORT

To the Shareholders of Sarine Technologies Ltd.

We have audited the accompanying statements of financial position of Sarine Technologies Ltd. (hereinafter the "Company") and subsidiaries (the Company and subsidiaries together referred to hereinafter as the "Group") as at December 31, 2015 and 2014 and the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group, for each of the years ended on such dates. These financial statements are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) - 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group and the Company as at December 31, 2015 and 2014 and the Group's results of operations, changes in its equity and cash flows, for each of the years ended on such dates, in accordance with International Financial Reporting Standards (IFRS).

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

Tel-Aviv, Israel
March 23, 2016

Chaikin, Cohen, Rubin and Co
Certified Public Accountants

Tel-Aviv, Israel
March 23, 2016

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

as of December 31

	Note	Group		Company	
		2015	2014	2015	2014
		US$ thousands			
Assets					
Property, plant and equipment	10	**12,413**	11,535	**1,689**	1,534
Intangible assets	11	**7,812**	6,751	**--**	--
Investment in subsidiaries	28	**--**	--	**36,091**	25,465
Deferred tax assets	9	**3,157**	2,198	**1,423**	1,290
Total non-current assets		**23,382**	20,484	**39,203**	28,289
Inventories	12	**10,146**	10,070	**6,673**	6,212
Trade receivables	13	**11,337**	13,486	**3,164**	4,080
Other current assets	14	**3,707**	2,522	**1,727**	1,025
Short-term investments (bank deposits)	15	**13,298**	25,145	**7,532**	17,382
Cash and cash equivalents	16	**19,298**	20,352	**9,268**	7,834
Total current assets		**57,786**	71,575	**28,364**	36,533
Total assets		**81,168**	92,059	**67,567**	64,822
Equity					
Share capital*	17	**--**	--	**--**	--
Share premium and reserves		**25,672**	23,810	**25,672**	23,810
Dormant shares, at cost	17	**(2,366)**	(1,033)	**(2,366)**	(1,033)
Retained earnings		**48,225**	56,854	**37,175**	28,515
Total equity		**71,531**	79,631	**60,481**	51,292
Liabilities					
Employee benefits	20	**138**	159	**129**	143
Total non-current liabilities		**138**	159	**129**	143
Trade payables		**2,359**	2,838	**1,375**	1,949
Other payables	19	**6,623**	8,821	**5,363**	11,119
Current tax payable		**211**	176	**--**	--
Warranty provision	23	**306**	434	**219**	319
Total current liabilities		**9,499**	12,269	**6,957**	13,387
Total liabilities		**9,637**	12,428	**7,086**	13,530
Total equity and liabilities		**81,168**	92,059	**67,567**	64,822

* No par value

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Years Ended December 31

	Note	Group 2015	Group 2014
		US$ thousands	
Revenue	6,7	**48,453**	87,770
Cost of sales		**(15,904)**	(25,867)
Gross profit		**32,549**	61,903
Research and development expenses		**(10,564)**	(10,616)
Sales and marketing expenses		**(12,557)**	(12,610)
General and administrative expenses		**(3,929)**	(5,730)
Profit from operations		**5,499**	32,947
Finance income		**210**	370
Finance expense		**(407)**	(577)
Net finance expense	8	**(197)**	(207)
Profit before income tax		**5,302**	32,740
Income tax expense	9	**(1,715)**	(5,510)
Profit for the year		**3,587**	27,230
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan		**17**	3
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(339)**	(178)
Total comprehensive income for the year		**3,265**	27,055
Earnings per share			
Basic earnings per share (US cents)	18	**1.03**	7.83
Diluted earnings per share (US cents)	18	**1.02**	7.70

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Group	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
			US$ thousands			
Balance at January 1, 2014	--	21,525	(1,213)	47,022	--	67,334
Profit for the year ended December 31, 2014	--	--	--	27,230	--	27,230
Other comprehensive income (loss) for the year ended December 31, 2014	--	3	(178)	--	--	(175)
Total comprehensive income	--	3	(178)	27,230	--	27,055
Share-based payment expenses	--	2,707	--	--	--	2,707
Exercise of options	--	966	--	--	--	966
Dividend paid	--	--	--	(17,398)	--	(17,398)
Dormant shares acquired, at cost (590,000 shares)	--	--	--	--	(1,033)	(1,033)
Balance at December 31, 2014	--	25,201	(1,391)	56,854	(1,033)	79,631
Profit for the year ended December 31, 2015	**--**	**--**	**--**	**3,587**	**--**	**3,587**
Other comprehensive income (loss) for the year ended December 31, 2015	**--**	**17**	**(339)**	**--**	**--**	**(322)**
Total comprehensive income	**--**	**17**	**(339)**	**3,587**	**--**	**3,265**
Share-based payment expenses	**--**	**1,329**	**--**	**--**	**--**	**1,329**
Exercise of options	**--**	**855**	**--**	**--**	**--**	**855**
Dividend paid	**--**	**--**	**--**	**(12,216)**	**--**	**(12,216)**
Dormant shares acquired, at cost (993,100 shares)	**--**	**--**	**--**	**--**	**(1,333)**	**(1,333)**
Balance at December 31, 2015	**--**	**27,402**	**(1,730)**	**48,225**	**(2,366)**	**71,531**

* No par value

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the Years Ended December 31

	Group	
	2015	**2014**
	US$ thousands	
Cash flows from operating activities		
Profit for the year	**3,587**	27,230
Adjustments for:		
Share-based payment expenses	**1,329**	2,707
Income tax expense	**1,715**	5,510
Depreciation of property, plant and equipment	**2,148**	2,219
Amortisation of intangible assets	**1,892**	2,688
Net finance expense	**197**	207
Changes in working capital		
Inventories	**251**	(1,522)
Trade receivables	**2,149**	2,352
Other current assets	**(207)**	(392)
Trade payables	**(479)**	(648)
Other liabilities	**(2,457)**	(1,083)
Employee benefits	**(21)**	(22)
Income tax paid	**(3,617)**	(4,963)
Net cash from operating activities	**6,487**	34,283
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	**(3,497)**	(3,144)
Acquisition of intangible assets	**(3,000)**	--
Short-terms investments, net	**11,847**	(12,097)
Capitalisation of development expenses	**--**	(1,029)
Interest received	**210**	370
Net cash from (used in) investing activities	**5,560**	(15,900)
Cash flows used in financing activities		
Proceeds from exercise of share options	**855**	966
Purchase of Company's shares by the Company	**(1,333)**	(1,033)
Interest paid	**(390)**	(326)
Dividends paid	**(12,216)**	(17,398)
Net cash used in financing activities	**(13,084)**	(17,791)
Net (decrease) increase in cash and cash equivalents	**(1,037)**	592
Cash and cash equivalents at beginning of year	**20,352**	20,011
Effect of exchange rate fluctuations on cash and cash equivalents	**(17)**	(251)
Cash and cash equivalents at end of year	**19,298**	20,352

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

Note 1 - General

A. Reporting Entity

Sarine Technologies Ltd. (hereinafter "Sarine" or the "Company") is a company domiciled in Israel. The address of the Company's registered office is 7 Atir Yeda Street, Kfar Saba 4464307, Israel. The consolidated financial statements of the Company, as at, and for the year ended December 31, 2015, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") (see Note 28). The Company was incorporated on November 8, 1988. On April 8, 2005 the Company was admitted to the Main Board list of the Singapore Exchange Securities Trading Ltd.

B. Introduction

The Group is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing and grading systems for diamond and gemstone production and trade. Sarine products and related services include diamond Cut, Colour and light performance grading tools, the Galaxy™ family of inclusion mapping systems, rough diamond planning optimisation systems, laser cutting and shaping systems, laser marking and inscription machines and polished diamond visualisation systems. Sarine systems have become an essential tool in every properly equipped gemological lab, diamond appraisal business and manufacturing plant, and are today considered indispensable items by both diamond dealers and retailers. At the heart of these systems is computer software that implements three-dimensional modeling and volume / value optimisation using advanced mathematical algorithms, and overall system control (motion, image capture, laser functionality, etc.) paired with various proprietary hardware technologies, including electro-optics, electronics, precision mechanics and lasers.

These financial statements were authorised for issue by the Board of Directors on March 23, 2016.

Note 2 - Basis of Preparation

A. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS).

B. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- liabilities measured at fair value through profit or loss (see also Note 3);
- assets and liabilities relating to employee benefits;
- deferred tax assets and liabilities; and
- provisions.

C. Functional and presentation currency

These financial statements are presented in United States (US) dollars, or US$, which is the Group's functional currency. The US dollar is the currency that represents the principal economic environment in which the Group operates. All financial information presented in US dollars has been rounded to the nearest thousand, except where otherwise indicated.

Note 2 - Basis of Preparation (cont'd)

D. Use of estimates and judgments

The preparation of financial statements in conformity with 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 expenses. Certain accounting estimates used in the preparation of the Group's financial statements may require management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares these estimates on the basis of past experience, known facts, external circumstances, and reasonable assumptions. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Income Tax (deferred tax assets) – determination of profit forecast which will be offset by losses;
- Note 11 – Intangible Assets (measurement of amortisation of intangible assets) – assessment of estimated useful lives;
- Note 22 – Share-Based Payments (measurement of share-based payments) – assumptions used in valuation model; and
- Note 26 – Contingencies – probability of claims to have a material impact on the Company.

E. Changes in accounting policies

As of January 1, 2015, the Group, in accordance with IFRS, changed its accounting policies in relation to Related party disclosures. An amendment to IAS 24, "Related Party Disclosures", on definition of the term "related party". The definition of the term was expanded so at to include entities that provide key management personnel (KMP) services to the reporting entity, directly or through another entity of the Group. Separate disclosure is to be provided of the amounts recognised as an expense in respect of the management services provided by the management entity. Nevertheless, there is no requirement to disclose the amounts paid to specific people in the management entity who provide such services. The new standard did not have an effect on the financial statements.

F. Company Statements of Financial Position

The Company's statements of financial position have been prepared on the same basis as the consolidated financial statements.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2E.

A. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the reporting entity's separate financial statements, an investment in subsidiaries is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for subsidiaries are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in subsidiaries are not necessarily indicative of the amount that would be realised in a current market exchange.

ii. Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control. The Group recognises goodwill at acquisition according to the fair value of the consideration transferred less the net amount of the identifiable assets acquired and the liabilities assumed. On the acquisition date the Group recognises a contingent liability assumed in a business combination, if there is a present obligation resulting from past events and its fair value can be reliably measured. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognises changes in fair value of the contingent consideration classified as a financial liability in profit or loss. Changes in liabilities for contingent consideration in business combinations that occurred before January 1, 2010 will continue to be recognised in goodwill and will not be recognised in profit or loss.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Note 3 - Significant Accounting Policies (cont'd)

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US dollars at the average exchange rate for the period. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve.

C. Financial instruments

i. Non-derivative financial assets

Initial recognition of financial assets

The Group initially recognises receivables and deposits on the date that they are originated. Non-derivative financial instruments comprise short-term investments, trade receivables, certain other current assets and cash and cash equivalents.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. See (ii) hereunder regarding the offset of financial assets and financial liabilities.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at cost using the effective interest method (when the value of time is material), less any impairment losses. Receivables comprise trade and certain other current assets.

Cash and cash equivalents comprise cash balances available for immediate use and call deposits. Cash equivalents comprise short-term highly-liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

ii. Non-derivative financial liabilities

Initial recognition of financial liabilities

Financial liabilities include trade and other short-term liabilities. These liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

iii. Share capital

Ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dormant shares. When share capital recognised as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as dormant shares. When dormant shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

D. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within operating expenses in profit or loss.

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Note 3 - Significant Accounting Policies (cont'd)

D. Property, plant and equipment (cont'd)

iii. Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Machinery and office equipment	6%-20%
Motor vehicles	15%
Demonstration equipment	12%-33%
Computers and computer equipment	15%-33%
Building and leasehold improvements	Lower of estimated useful lives and the lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

E. Intangible assets

i. Know-how and intellectual property

Acquired know-how and intellectual property are stated at cost less accumulated amortisation and impairment losses.

ii. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequently, goodwill is measured at cost less accumulated impairment losses.

iii. Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset. Expenditures capitalised include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in profit or loss as incurred.

Note 3 - Significant Accounting Policies (cont'd)

E. Intangible assets (cont'd)

iii. Research and development (cont'd)

Capitalised development expenditures are measured at cost less accumulated amortisation and accumulated impairment losses.

iv. Subsequent expenditure

Subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognised in profit or loss as incurred.

v. Amortisation

Amortisation is a systematic allocation of the amortisable amount of an asset over its useful life. The amortisable amount is the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Goodwill is not systematically amortised but is tested for impairment at least once a year.

Internally generated intangible assets are not systematically amortised until they are available for use, meaning are brought to the working condition for their intended use. Accordingly, these intangible assets, such as development costs, are tested for impairment at least once a year, until such date as they are available for use. The estimated useful lives for the current and comparative periods are 6 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

F. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is calculated based on the moving average costing method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and conditions. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overhead based on normal operating capacity. Inventories are written-down for estimated obsolescence, based on assumptions about future demand and market conditions.

G. Impairment

i. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Note 3 - Significant Accounting Policies (cont'd)

G. Impairment (cont'd)

i. Non-derivative financial assets (cont'd)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at a specific asset and collective levels. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest income on the impaired asset continues to be recognised using the interest rate that was used to discount the future cash flows. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The Group estimates the recoverable amount of a CGU that contains goodwill and other intangible assets that are not yet available for use, on an annual basis, or more frequently if there are indications of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects of the assessment of market participants regarding the time value of money and the risks specific to the asset or cash generating unit, for which the estimated future cash flows from the asset or cash generating unit were not adjusted.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Note 3 - Significant Accounting Policies (cont'd)

G. Impairment (cont'd)

ii. Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs that included goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the unit (group of units) on a *pro rata* basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

H. Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension and savings plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

ii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality New Israeli Shekels (NIS) denominated corporate debentures, that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a net asset for the Group, an asset is recognised up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan. An economic benefit in the form of refunds or reductions in future contributions is considered available when it can be realised over the life of the plan or after settlement of the obligation. This calculation will take into consideration any minimum funding requirements that apply to any plan. Furthermore, when as part of a minimum funding requirement, there is an obligation to pay additional amounts for services that were provided in the past, the Group recognises an additional obligation (increases the net liability or decreases the net asset), if such amounts are not available as an economic benefit in the form of a refund from the plan or the reduction of future contributions.

Note 3 - Significant Accounting Policies (cont'd)

H. Employee benefits (cont'd)

ii. Defined benefit plans (cont'd)

Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses and the return on plan assets (excluding interest). Remeasurements are recognised directly in retained earnings through other comprehensive income. Interest costs on a defined benefit obligation and interest income on plan assets that were recognised in profit or loss are presented under financing income and expenses, respectively.

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Group recognises a liability and an expense for bonuses, which are based on agreements with employees and according to management decisions based on Group performance goals and on individual employee performance. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

iv. Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees and directors are recognised as an expense, with a corresponding increase in equity, over the period that the grantee unconditionally become entitled to the awards. The amount recognised as an expense in respect of share-based payment awards that are conditional upon meeting service and non-market performance conditions is adjusted to reflect the number of awards that are expected to vest, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance vesting conditions, the grant date fair value of the share-based payment awards is measured to reflect such conditions, and therefore the Group recognises an expense in respect of the awards whether or not the conditions have been met.

I. Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability (without taking into consideration the Group's credit risk). The unwinding of the discount is recognised as a finance expense.

i. Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Note 3 - Significant Accounting Policies (cont'd)

I. Provisions (cont'd)

ii. Legal claims

A provision for claims is recognised if, as a result of a past event, the Group has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably. When the value of time is material, the provision is measured at its present value.

J. Dividends

Dividends are recognised as a liability in the period in which they are declared.

K. Revenue

i. Goods sold

Revenue from the sale of goods in the course of ordinary business is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

ii. Services

Revenue from services rendered is recognised in profit or loss ratably over the contractual service period or in a fee for services arrangement, as services are performed.

L. Government grants

Grants from the Israeli Office of the Chief Scientist in the Ministry of Economy ("OCS") in respect of research and development projects are accounted for as forgivable loans according to IAS 20. Grants received from the OCS are recognised as a liability according to their fair value on the date of their receipt, unless on that date it is reasonably certain that the amount received will not be refunded. The amount of the liability is reexamined each period, and any changes in the present value of the cash flows discounted at the original interest rate of the grant are recognised in profit or loss. The difference between the amount received and the fair value on the date of receiving the grant is recognised as a deduction of research and development expenses.

M. Lease payments

Payments made by the Group under operating leases are recognised as expenses in profit or loss on a straight-line basis over the term of the lease.

Note 3 - Significant Accounting Policies (cont'd)

N. Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Interest income on bank deposits is accrued on a time apportioned basis on the principal outstanding and at the rate applicable.

Finance expenses comprise interest expense on contingent consideration from a business combination, interest expense on tax liabilities and bank fees recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses depending on whether the foreign currency movement was in a net gain or net loss position. In the statements of cash flows, interest received and dividends received are presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows used in financing activities.

O. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the reporting date, and any adjustment to tax payable in respect of prior years.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and there is intent to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A provision for uncertain tax positions, including additional tax and interest expenses, is recognised when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax assets that were not recognised are reevaluated at each reporting date and recognised if it has become probable that future taxable profits will be available against which they can be utilised.

Note 3 - Significant Accounting Policies (cont'd)

O. Income tax (cont'd)

The Group may be required to pay additional tax if a dividend is distributed by companies within the Group. This additional tax was not included in the financial statements, since it is the current practice of the Group companies not to distribute a dividend which creates an additional tax liability for the recipient in the foreseeable future. In such cases that a Group subsidiary is expected to distribute a dividend from profits involving additional tax for the Company, the Company creates a tax provision in respect to the additional tax it may be required to pay in respect of the dividend distribution. Additional income taxes that arise from the distribution of dividends by the Company are recognised in profit or loss at the same time that the liability to pay the related dividend is recognised (see also Note 9).

P. Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for dormant shares. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding (after adjustment for dormant shares) for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees, directors or other eligible parties.

Q. New standards and interpretations not yet adopted

Other than those standards adopted as explained in Note 2E, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these financial statements.

1. IFRS 9 (2014), Financial Instruments, (hereinafter – IFRS 9 (2014)). A final version of the standard, which includes revised guidance on the classification and measurement of financial instruments, and a new model for measuring impairment of financial assets.

   Classification and measurement
   In accordance with IFRS 9 (2014), there are three principal categories for measuring financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification for debt instruments is the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Investments in equity instruments will be measured at fair value through profit or loss (unless the entity elected at initial recognition to present fair value changes in other comprehensive income). IFRS 9 (2014) requires that changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in its credit risk, should usually be recognised in other comprehensive income.

   Impairment of financial assets
   IFRS 9 (2014) presents a new ‘expected credit loss’ model for calculating impairment. For most financial assets, the new model presents a dual measurement approach for impairment: if the credit risk of a financial asset has not increased significantly since its initial recognition, an impairment provision will be recorded in the amount of the expected credit losses that result from default events that are possible within the twelve months after the reporting date. If the credit risk has increased significantly, in most cases the impairment provision will increase and be recorded at the level of lifetime expected credit losses of the financial asset.

Note 3 - Significant Accounting Policies (cont'd)

Q. New standards and interpretations not yet adopted (cont'd)

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted. It will be applied retrospectively with some exemptions. The Group has not yet commenced examining the effects of adopting IFRS 9 (2014) on the financial statements.

2. IFRS 15, Revenue from Contracts with Customers. (hereinafter – IFRS 15). IFRS 15 replaces the current guidance regarding recognition of revenues and presents a new model for recognising revenue from contracts with customers. IFRS 15 provides two approaches for recognising revenue: at a point in time or over time. The model includes five steps for analysing transactions so as to determine when to recognise revenue and at what amount. Furthermore, IFRS 15 provides new and more extensive disclosure requirements than those that exist under current guidance. IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted. IFRS 15 includes various alternative transitional provisions, so that companies can choose between one of the following alternatives at initial application: full retrospective application, full retrospective application with practical expedients, or application as from the mandatory effective date, with an adjustment to the balance of retained earnings at that date in respect of transactions that are not yet complete. The Group is currently examining the effects of adopting IFRS 15 on the financial statements and has no plans for early adoption of the standard.

Note 4 - Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).

A. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

B. Intangible assets

The fair value used in impairment tests of development activities which were capitalised is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Note 4 - Determination of Fair Values (cont'd)

C. Trade receivables and other current assets

The fair value of trade receivables and certain other current assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Trade receivables and certain other current assets with no stated interest are measured at their original amount as the effect of discounting is immaterial.

D. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

E. Share-based payment transactions

The fair value of the options granted is measured using a lattice-based valuation, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price on measurement date, expected volatility, expected employee turnover rate, employee exercise behaviour, risk free interest rate and expected dividend. Services and non-market performance conditions are not taken into account in determining fair value.

F. Contingent consideration in business combination

The fair value of contingent consideration is calculated at the time of the business combination using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). When the contingent consideration is long-term in nature, the liability is discounted to present value using the market interest rate at the reporting date. In subsequent periods, the fair value of contingent consideration classified as a financial liability is measured in the same manner at each reporting date.

Note 5 - Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's policy is to maintain a strong capital base, so to maintain investor and market confidence and to sustain future development of the business. The Group has exposure to credit risk and market risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management complies with the Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Note 5 - Financial Risk Management (cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers (see also Note 24).

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not require collateral in respect of financial assets. The Group has established credit limits for customers and monitors their balances regularly. Cash and deposits are placed with banks and financial institutions, which are regulated.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in deteriorating economic circumstances.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables, certain other current assets and investments. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The Group employs reasonable measures to mitigate credit risk such as customer-specific enquiries prior to the extension of credit.

At the date of the statement of financial position, cash and cash equivalents and short-term investments were mainly held with two banks in Israel, thereby exposing the Group to significant concentrations of credit risk. However, management considers that the credit rating of the banks reduces the risk to the Group to an acceptable level.

In addition, the Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2015 and 2014, no guarantees were outstanding.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. This is achieved by not investing in equities and by investing in either US dollars, New Israeli Shekels (NIS) and Indian Rupees quoted financial assets only, in ratios which reflect the exposure of the Group to these currencies.

The Group is exposed to currency risk on sales and expenses that are denominated in a currency other than the respective functional currencies of Group entities. The Group is mainly exposed to movement in exchange rates of the US dollar in relation to the NIS with regard to salaries paid in NIS and to movement in exchange rates of the US dollar in relation to the Indian Rupee with respect to services provided in India by Sarin India.

Note 6 - Operating Segments

The Group is a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the planning, processing, evaluation and measurement of diamonds and gems. India is the principal market for these products. In accordance with IFRS 8, the Group determines and presents operating segments based on the information that is provided internally to the CEO, who is the Group's chief operating decision maker. The measurement of operating segment results is generally consistent with the presentation of the Group's Consolidated Statements of Profit or Loss and Other Comprehensive Income. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution (India, Africa, Europe, North America, Israel and Other).

	Group						
	Revenues						
	India	Africa	Europe	North America	Israel	Other*	Consolidated
	US$ thousands						
2015	**34,217**	**2,234**	**2,280**	**1,370**	**3,480**	**4,872**	**48,453**
2014	69,595	4,011	2,381	1,210	5,060	5,513	87,770

Information on the assets of each geographical region is detailed below. The information includes non-current assets data, of which the depreciated cost of property, plant and equipment is allocated to each of the geographical regions. All of the Group's intangible assets are located in Israel.

	Group						
	Property, plant and equipment						
	India	Africa	Europe	North America	Israel	Other*	Consolidated
	US$ thousands						
December 31, 2015	**4,140**	**95**	**68**	**5,777**	**2,204**	**129**	**12,413**
December 31, 2014	3,274	40	5	6,008	2,105	103	11,535

* Other territories represent sales to the rest of the world, primarily Asia, excluding India.

Note 7 - Revenue

Composition

	Group	
	Year ended December 31	
	2015	2014
	US$ thousands	
Revenue from sale of products*	**36,605**	72,946
Revenue from maintenance and services	**11,848**	14,824
	48,453	87,770

* Includes Galaxy™ family recurring revenues associated with customer-owned machines.

Note 7 - Revenue (cont'd)

For the year ended December 31, 2015, one customer accounted for approximately 15% of Group revenue. For the year ended December 31, 2014, no single customer accounted for more than 10% of Group revenue.

Note 8 - Net Finance Expense

	Group	
	Year ended December 31	
	2015	**2014**
	US$ thousands	
Interest income on financial assets and bank deposits	**210**	370
Interest expenses and bank fees*	**(390)**	(326)
Net foreign exchange loss	**(17)**	(251)
	(197)	(207)

* See also Note 9A and Note 21.

Note 9 - Income Tax

A. Details regarding the tax environment of the Group

i. Israeli tax rates applicable to income not derived from approved enterprises

On August 5, 2013 the Knesset (the Israeli Parliament) passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013 (hereinafter "the Law for Changes in National Priorities"), by which, *inter alia*, the corporate tax rate was raised to 26.5% as from 2014. On January 5, 2016 the Knesset passed an amendment to the Income Tax Ordinance (New Version) – 1961 (hereinafter – "the Ordinance"), by which, *inter alia*, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from 2016.

According to various amendments to the Ordinance, IFRS shall not apply when determining the taxable income for the 2007 through 2015 tax years, even if IFRS was applied when preparing the financial statements.

ii. Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969

The Company believes that it qualifies as an "Industrial Company" under the above law. As such, it is entitled to certain tax benefits, mainly the right to deduct share issuance costs for tax purposes in the event of a public offering, and to amortise know-how acquired from third parties.

Note 9 - Income Tax (cont'd)

A. Details regarding the tax environment of the Group (cont'd)

iii. Amendment to the Law for the Encouragement of Capital Investments – 1959

The Company is subject to Amendment No. 68 to the Law for the Encouragement of Capital Investments – 1959 (hereinafter – "the Amendment to the Law"). The Amendment to the Law's provisions apply to Preferred Income derived or accrued in 2011 and thereafter by a Preferred Enterprise, per the definition of these terms in the Amendment to the Law. The Amendment to the Law provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. In addition, a Preferred Enterprise was introduced which mainly provides a uniform and reduced tax rate for all the company's income entitled to benefits. As part of the Law for Changes in National Priorities, as from the 2014 tax year the tax rate on preferred income was set to 9% for Development Area A and 16% for the rest of the country. The Amendment to the Law also provides that no tax will apply to a dividend distributed out of Preferred Income to a shareholder that is an Israeli company. A tax rate of 20% shall apply to a dividend distributed out of Preferred Income to an individual shareholder or foreign resident, subject to double taxation prevention treaties. The Company and one of its wholly owned subsidiaries met the conditions provided in the Amendment to the Law for inclusion in the scope of the tax benefits track. The Company and its subsidiary implemented the Amendment to the Law as from the 2011 tax year. Deferred taxes were computed accordingly.

On November 5, 2012 the Knesset passed Amendment No. 69 and Temporary Order to the Law for the Encouragement of Capital Investments – 1959, which offers a reduced tax rate arrangement to companies that received an exemption from corporate tax under the aforesaid law. In August 2013, the Company decided to apply this amendment to release all of its exempt profits, making it possible to use these profits without the restrictions that had applied in the past, including their distribution as dividends.

iv. Final tax assessments

The Company has received final tax assessments (including assessments which are considered final under the tax laws) for all tax years up to December 31, 2012. The Company's wholly owned Israeli consolidated subsidiaries have received final tax assessments (including assessments which are considered final under the tax laws) for all tax years up to December 31, 2011.

v. Foreign tax

1. The foreign subsidiaries are taxed according to tax rules in their jurisdictions.

2. Sarin India received final tax assessments for all fiscal tax years through March 31, 2011. Other foreign subsidiaries have not been assessed since their incorporation.

3. Tax assessments related to Galatea Ltd. ("Galatea") in India

A dispute has arisen between Galatea, an Israeli subsidiary of the Company, and the Indian Tax Authorities, over Galatea's classification of certain payments received from its Indian customers as business income, which is not liable for tax in India. The Indian Tax Authorities have notified Galatea of their position whereby the payments constitute royalties. The Indian Tax Authorities' position was upheld by the Indian Dispute Resolution Panel in January 2015 for the Indian tax year ended March 31, 2011 and in September 2015, for the Indian tax year ended March 31, 2012.

Note 9 - Income Tax (cont'd)

A. Details regarding the tax environment of the Group (cont'd)

v. Foreign tax (cont'd)

Subsequently the Indian tax authorities passed the assessment orders for the respective years, thus creating an aggregate net tax liability (net of tax deducted at source) of approximately US$ 0.8 million and an additional interest liability of approximately US$ 0.4 million. Galatea has appealed against both these decisions to the Tribunal, a higher Indian tax authority.

Galatea's legal tax counsel in Israel has opined that any tax payments made or withheld in India due to a classification of income as royalties may be offset in Galatea's domestic (Israeli) tax returns for a period of five years from the date of payment. Therefore, Galatea has not made a provision for the approximately US$ 0.8 million tax assessment, but has recorded an approximately US$ 0.4 million charge related to interest expense as mentioned above. The Group believes that the potential exposure for the subsequent Indian tax years up to December 31, 2015 is remote, due to the anticipated refunds during the said period.

B. Composition of income tax expense

	Group	
	Year ended December 31	
	2015	**2014**
	US$ thousands	
Current tax expense	**2,674**	6,353
Deferred tax credit	**(959)**	(843)
Total income tax expense	**1,715**	5,510

C. Reconciliation between the theoretical tax on the profit before income tax and the tax expenses

	Group	
	Year ended December 31	
	2015	**2014**
	US$ thousands	
Profit before income tax expense	**5,302**	32,740
Income tax using Israel tax rate of 26.5%	**1,405**	8,676
Non-deductible expenses	**621**	1,176
Effects of lower tax rates arising from "Approved and Beneficiary Enterprise" status	**(2,742)**	(6,109)
Current year tax losses and benefits for which deferred taxes were not created	**1,948**	1,486
Different tax rate of foreign subsidiaries	**250**	279
Other differences	**233**	2
	1,715	5,510

Note 9 - Income Tax (cont'd)

D. Deferred tax assets and liabilities

Deferred taxes are calculated according to the tax rate anticipated to be in effect on the date of reversal. Recognised deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Other payables and employee benefits	**263**	299	**114**	133
Allowance for doubtful receivables	**39**	38	**37**	38
Know-how	**--**	(47)	**--**	(47)
Research and development expenses	**1,012**	999	**864**	825
Losses for tax purposes	**1,167**	270	**60**	--
Fixed assets	**668**	610	**348**	335
Other	**8**	29	**--**	6
	3,157	2,198	**1,423**	1,290

The deferred tax balances as at December 31, 2015 and 2014 were calculated according to the new tax rates specified in the Law for Changes in National Priorities, at the tax rate expected to apply on the date of reversal.

Had the amendment to the Ordinance which decreased corporate tax rates in 2016 to 25% been enacted before December 31, 2015, the effect of the change on the Group financial statements as at December 31, 2015 would have been reflected in a decrease in the deferred tax assets in the amount of US$ 25 thousand, and a corresponding tax expense.

Unrecognised deferred tax assets

For the years ended December 31, 2015 and 2014, Group deferred tax assets in respect of tax losses in the amount of US$ 15.6 million and US$ 13.9 million, respectively, have not been recognised. Those tax losses are available for offsetting against future taxable income of the applicable Company's Israeli subsidiaries subject to compliance with the relevant tax regulations. Deferred tax assets have not been recognised in respect of these tax losses because currently it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The tax losses do not expire under current tax legislation. As at December 31, 2015 and 2014 a deferred tax asset for temporary differences in the amount of US$ 3.5 million related to investments in a subsidiary and in an equity accounted investee were not recognised because the Group is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax liabilities

As at December 31, 2015 a deferred tax liability for temporary differences in the amount of US$ 11.0 million (2014 - US$ 28.3 million) related to an investment in a subsidiary was not recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Changes in deferred taxes from prior years were all recognised in profit or loss.

Note 10 - Property, Plant and Equipment

	Group					
	Computers and equipment	Demonstration equipment	Motor vehicles	Machinery and office equipment	Building, land, and leasehold improvements	Total
	US$ thousands					
Cost						
Balance at January 1, 2014	1,760	2,245	227	4,345	8,153	16,730
Additions	634	730	18	1,059	933	3,374
Disposals	(149)	(281)	(1)	(133)	--	(564)
Effect of changes in exchange rates	(11)	--	(1)	(75)	(53)	(140)
Balance at December 31, 2014	2,234	2,694	243	5,196	9,033	19,400
Additions	**412**	**1,200**	**--**	**915**	**1,028**	**3,555**
Disposals	**(91)**	**(695)**	**(7)**	**(135)**	**(52)**	**(980)**
Effect of changes in exchange rates	**(24)**	**--**	**(3)**	**(151)**	**(116)**	**(294)**
Balance at December 31, 2015	**2,531**	**3,199**	**233**	**5,825**	**9,893**	**21,681**
Depreciation						
Balance at January 1, 2014	1,329	1,465	103	2,711	452	6,060
Depreciation	306	470	31	1,137	275	2,219
Disposals	(148)	(114)	(1)	(71)	--	(334)
Effect of changes in exchange rates	(9)	--	(1)	(61)	(9)	(80)
Balance at December 31, 2014	1,478	1,821	132	3,716	718	7,865
Depreciation	**395**	**540**	**30**	**867**	**316**	**2,148**
Disposals	**(89)**	**(368)**	**(7)**	**(81)**	**(50)**	**(595)**
Effect of changes in exchange rates	**(20)**	**--**	**(2)**	**(111)**	**(17)**	**(150)**
Balance at December 31, 2015	**1,764**	**1,993**	**153**	**4,391**	**967**	**9,268**
Carrying amounts						
At January 1, 2014	431	780	124	1,634	7,701	10,670
At December 31, 2014	756	873	111	1,480	8,315	11,535
At January 1, 2015	**756**	**873**	**111**	**1,480**	**8,315**	**11,535**
At December 31, 2015	**767**	**1,206**	**80**	**1,434**	**8,926**	**12,413**

In January 2013, the Group's wholly-owned US-based subsidiaries (Sarine IGT 10H Inc., Sarine IGT 10I Inc. and Sarine IGT 10JKL Inc.) closed on the purchase of approximately 500 square meters of office in the International Gem Tower in New York City. The finished office space was completed in March 2014 and serves as the base in New York City for the Group's North American operations, including: sales and support of the Group's products and offerings. The total cost of the office and internal construction was $5.8 million.

Note 10 - Property, Plant and Equipment (cont'd)

In April 2012, Sarin India purchased land measuring approximately 2,400 square meters in Surat, Gujarat, India, at a cost of approximately US$ 2.1 million, for the purpose of building an integrated facility for its service centres, customer service, technical support and training, and other logistics infrastructure. Construction in Surat is underway, with completion expected at the end of 2016. As at December 31, 2015, total cost for the land and construction has been approximately US$3.0 million. As at December 31, 2015, the expected cost to complete construction and applicable internal furnishing is approximately US$ 3.0 million, of which US$ 0.5 million has been provided as an advance to the builder (see Note 14).

	Company					
	Computers and equipment	Demonstration equipment	Motor vehicles	Machinery and office equipment	Building, land, and leasehold improvements	Total
	US$ thousands					
Cost						
Balance at January 1, 2014	1,113	1,713	168	591	161	3,746
Additions	400	456	--	139	67	1,062
Disposals	(112)	(146)	(1)	(35)	--	(294)
Balance at December 31, 2014	1,401	2,023	167	695	228	4,514
Additions	**331**	**659**	--	**56**	**11**	**1,057**
Disposals	**(83)**	**(508)**	--	**(5)**	**(50)**	**(646)**
Balance at December 31, 2015	**1,649**	**2,174**	**167**	**746**	**189**	**4,925**
Depreciation						
Balance at January 1, 2014	828	1,249	65	348	88	2,578
Depreciation	187	288	23	55	28	581
Disposals	(110)	(68)	(1)	--	--	(179)
Balance at December 31, 2014	905	1,469	87	403	116	2,980
Depreciation	**243**	**320**	**23**	**62**	**43**	**691**
Disposals	**(82)**	**(299)**	--	**(5)**	**(49)**	**(435)**
Balance at December 31, 2015	**1,066**	**1,490**	**110**	**460**	**110**	**3,236**
Carrying amounts						
At January 1, 2014	285	464	103	243	73	1,168
At December 31, 2014	496	554	80	292	112	1,534
At January 1, 2015	**496**	**554**	**80**	**292**	**112**	**1,534**
At December 31, 2015	**583**	**684**	**57**	**286**	**79**	**1,689**

Note 11 - Intangible Assets

	Group			
	Goodwill	Development costs	Know-how and intellectual property	Total
	US$ thousands			
Cost				
Balance at January 1, 2014	1,215	5,194	14,197	20,606
Adjustment of goodwill[1]	35	--	--	35
Internally developed	--	1,029	--	1,029
Balance at December 31, 2014	1,250	6,223	14,197	21,670
Adjustment of goodwill [1]	**(47)**	**--**	**--**	**(47)**
Acquisition of intellectual property	**--**	**--**	**3,000**	**3,000**
Balance at December 31, 2015	**1,203**	**6,223**	**17,197**	**24,623**
Amortisation				
Balance at January 1, 2014	--	1,503	10,728	12,231
Amortisation for the year[2]	--	753	1,935	2,688
Balance at December 31, 2014	--	2,256	12,663	14,919
Amortisation for the year[2]	**--**	**840**	**1,052**	**1,892**
Balance at December 31, 2015	**--**	**3,096**	**13,715**	**16,811**
Carrying amount				
At January 1, 2014	1,215	3,691	3,469	8,375
At December 31, 2014	1,250	3,967	1,534	6,751
At January 1, 2015	**1,250**	**3,967**	**1,534**	**6,751**
At December 31, 2015	**1,203**	**3,127**	**3,482**	**7,812**

(1) The adjustment of goodwill derives from a change in the contingent liability in a business combination, which occurred before January 1, 2010. See also Note 21.

(2) See also Note 3E(v).

In April 2015, Galatea paid US$ 3.0 million to a licensor of software utilised in the Galaxy™ family of products enabling the cessation of ongoing license payments on our Galaxy™ family product sales.

The amortisation of know how, intellectual property and development costs is recognised in cost of sales.

The cash-generating unit's recoverable amount was based on fair value less costs of disposal. The fair value less costs of disposal was estimated using the discounted cash flow method. The fair value measurements are classified at level 3 of the fair value hierarchy (for a definition of the various hierarchy levels, see Note 4).

Note 12 – Inventories

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Raw materials and consumables	**6,499**	6,053	**4,026**	3,468
Work in progress	**1,774**	2,419	**1,213**	1,442
Finished goods	**1,873**	1,598	**1,434**	1,302
	10,146	10,070	**6,673**	6,212

In 2015 the write-down of Group inventories to net realisable value amounted to US$ 161 thousand (2014 - US$ 231 thousand). In 2015 the write-down of Company inventories to net realisable value amounted to US$ 2 thousand (2014 - US$ 33 thousand).

Note 13 - Trade Receivables

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Trade receivables	**11,697**	13,845	**3,397**	4,314
Allowance for doubtful receivables	**(360)**	(359)	**(233)**	(234)
	11,337	13,486	**3,164**	4,080

The Group's and Company's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed in Note 24.

Note 14 - Other Current Assets

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Institutions	**2,317**	1,227	**1,224**	79
Advances to suppliers	**636**	267	**48**	225
Prepaid expenses	**650**	912	**446**	708
Other	**104**	116	**9**	13
	3,707	2,522	**1,727**	1,025

The Group's and Company's exposure to credit and currency risks is disclosed in Note 24.

Note 15 - Short-Term Investments

Group short-term investments are comprised of bank deposits having weighted average interest rates of 0.94% at December 31, 2015 (December 31, 2014 – 0.60%). Company short-term investments are comprised of bank deposits having weighted average interest rates of 0.92% at December 31, 2015 (December 31, 2014 – 0.59%) (see also Note 24).

Note 16 - Cash and Cash Equivalents

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$ thousands			
Bank balances	**11,714**	11,850	**6,263**	7,509
Bank deposits	**7,584**	8,502	**3,005**	325
	19,298	20,352	**9,268**	7,834

Group bank deposits denominated in US dollars have weighted average interest rates of 0.62% at December 31, 2015 (December 31, 2014 – 0.07%). Company bank deposits denominated in US dollars have weighted average interest rates of 0.59% at December 31, 2015 (December 31, 2014 – 0.07%). The Group's and the Company's exposure to interest rate risk is disclosed in Note 24.

Note 17 – Share Capital – The Company

	As at December 31	
	2015	**2014**
	Number of shares	
Authorised:		
Ordinary shares of no par value	**2,000,000,000**	2,000,000,000
Issued and fully paid:		
Ordinary shares of no par value	**350,568,823**	348,671,205
Dormant shares (out of the issued and fully paid share capital):		
Ordinary shares of no par value	**(1,583,100)**	(590,000)
Total number of issued shares: (excluding dormant shares)	**348,985,723**	348,081,205

Note 17 – Share Capital – The Company (cont'd)

The following are the changes in the issued shares of the Company for the years ended December 31, 2015 and 2014:

	2015	2014
	Number of shares	
Issued ordinary shares at January 1	**348,081,205**	346,047,303
Share options exercised	**1,897,618**	2,623,902
Dormant shares (purchased) sold	**(993,100)**	(590,000)
Issued ordinary shares at December 31	**348,985,723**	348,081,205

On October 21, 2010, the Company's shareholders approved a share buyback mandate of up to 10% of the Company's then issued and fully paid up shares. On April 29, 2014 and on April 20, 2015, the Company's shareholders renewed the share buyback mandate of up to 10% of the Company's then issued and fully paid up shares. Under the share buyback mandate, share buybacks may be made, at any time and from time to time up to the earliest of: (a) the date on which the next annual general meeting of the Company is held or required by law to be held; (b) the date on which the authority conferred by the share buyback mandate is revoked or varied by the Company in general meeting; or (c) the date on which share buybacks are carried out to the full extent mandated.

For the years ended December 31, 2015 and 2014 the Company purchased 993,100 and 590,000 ordinary shares, respectively, at a cost of US$ 1,333 thousand and US$ 1,033 thousand, respectively. In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares as long as they are held by the Company, and as such they do not bear any rights until they are transferred to a third party. For the years ended December 31, 2015 and 2014, 1,897,618 and 2,623,902 shares were issued, respectively, upon the exercise of options for cash (see also Note 22).

For the years ended December 31, 2015 and 2014, the Company paid dividends in the amount of US$ 12.2 million and US$ 17.4 million, respectively, amounting to US cents 3.5 and US cents 5.00 per share, respectively (see also Note 9 – Income Tax).

Note 18 – Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2015 was based on the profit attributable to ordinary shareholders of US$ 3,587 thousand (2014 – US$ 27,230 thousand) and a weighted average number of ordinary shares outstanding of 348,889,726 (2014 –347,802,133), calculated as follows:

	2015	2014
Issued ordinary shares at January 1	**348,081,205**	346,047,303
Effect of share options exercised	**1,399,851**	1,769,131
Effect dormant shares purchased	**(591,330)**	(14,301)
Weighted average number of ordinary shares at December 31	**348,889,726**	347,802,133

Note 18 – Earnings Per Share (cont'd)

Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2015 was based on profit attributable to ordinary shareholders of US$ 3,587 thousand (2014 - US$ 27,230 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 350,431,581 (2014 -353,827,610), calculated as follows:

	2015	2014
Weighted average number of ordinary shares (basic)	**348,889,726**	347,802,133
Effect of share options on issue	**1,541,855**	6,025,477
Weighted average number of ordinary shares (diluted) at December 31	**350,431,581**	353,827,610

The average market value of the Company's ordinary shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Note 19 – Other Payables

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Employees and related institutions	**3,301**	4,074	**1,543**	2,306
Prepaid income	**1,577**	1,598	**283**	339
Advances from customers	**621**	616	**604**	583
Galatea former shareholders (Note 21)	**--**	411	**--**	411
Accrued expenses	**1,055**	1,889	**636**	1,147
Subsidiaries	**--**	--	**2,261**	6,100
Related parties	**36**	233	**36**	233
Other	**33**	--	**--**	--
	6,623	8,821	**5,363**	11,119

The Group's and the Company's exposure to currency risk related to other payables are disclosed in Note 24. See also Note 27 – Related Parties.

Note 20 – Employee Benefits

A. Defined benefit plan

Israeli labour laws and agreements require the Company and its Israeli subsidiaries to pay severance pay to dismissed or retiring employees (and those leaving their employment under certain other circumstances). The calculation of the severance pay liability was made in accordance with labour agreements in force and based on salary components, which, in management's opinion, create entitlement to severance pay.

Note 20 - Employee Benefits (cont'd)

A. Defined benefit plan (cont'd)

The Group's severance pay liabilities to its Israeli employees are funded partially by regular deposits with recognised pension and severance pay funds in the employees' names and by purchase of insurance policies.

Employee benefits consist of the following:

	As at December 31	
	2015	**2014**
	US$ thousands	
Present value of the obligation	**1,233**	1,342
Fair value of assets	**1,095**	1,183
Recognised liability for defined benefit obligation	**138**	159

The Group makes contributions to defined benefit plans that provide pension benefits for employees upon retirement or post-employment. Most of the above assets and obligations relate to the employees of the Company.

Movement in net defined benefit liabilities (assets) and in their components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	US$ thousands					
Balance as at January 1	**1,342**	1,524	**1,183**	1,340	**159**	184
Included in profit or loss	**35**	38	**30**	29	**5**	9
Included in other comprehensive income	**(79)**	(42)	**(62)**	(39)	**(17)**	(3)
Other movements	**(65)**	(178)	**(56)**	(147)	**(9)**	(31)
Balance as at December 31	**1,233**	1,342	**1,095**	1,183	**138**	159

Principal actuarial assumptions:

	2015	**2014**
Discount rate (1)	**1.35%**	0.68%
Future salary nominal increases (2)	**3.00%**	3.00%

Assumptions regarding future mortality are based on published statistics and mortality tables.

(1) The discount rate used in 2015 and 2014 is based on the yield of fixed-interest NIS high quality corporate bonds with duration approximating the duration of the gross liabilities.

(2) Based on management assessment.

Note 20 - Employee Benefits (cont'd)

A. Defined benefit plan (cont'd)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	As at December 31, 2015	
	One percentage point increase	One percentage point decrease
	US$ thousands	
Future salary growth	46	(32)
Discount rate	(29)	37

B. Defined contribution plan

The Group provides post-employment benefits under which it pays fixed sums into a provident fund in respect of employee savings plans. The amounts deposited in the year ended December 31, 2015 amounted to US$ 545 thousand (2014 - US$ 527 thousand) and are recognised as personnel expenses in profit or loss. In addition, the Group has a defined contribution plan for employees who are subject to Section 14 of the Severance Pay Law – 1963.

Note 21 – Galatea Contingent Consideration

As at December 31, 2015 and 2014, the liability representing contingent consideration to former shareholders of Galatea Ltd. (acquired in 2008) was nil and $411 thousand, respectively (see also Note 19). The business combination agreement allows for adjustments to the cost of the combination that are contingent on one or more future events, and are adjusted accordingly based on actual results and interim updated forecasts. The liability representing contingent consideration to former shareholders of Galatea was decreased during the year ended December 31, 2015 by approximately US$ 47 thousand, as a result of actual Group revenues derived from owned Galaxy™ service centres. The liability representing contingent consideration to former shareholders of Galatea increased for the year ended December 31, 2014 by approximately US$ 35 thousand, as a result of an updated forecast in Group revenues from owned Galaxy™ service centres. Therefore, for the years ended December 31, 2015 and 2014, goodwill was adjusted accordingly (see Note 3A(ii)) and there was no impact on the consolidated statement of profit or loss and other comprehensive income (see also Note 11 and Note 19), except for interest expenses in the amount of US$ 68 thousand for the year ended December 31, 2014 that derived from the passing of time.

Note 22 - Share-Based Payments

In April 2015 the Company adopted a share option plan to allot options to directors and employees of the Company and its subsidiaries (the "2015 Plan"). The aggregate number of ordinary shares which may be granted as options on any date, when added to the number of shares issued and issuable in respect of all options granted under all of the Company's Plans then in force shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant. As at December 31, 2015, no options have been granted under the 2015 Plan.

Note 22 - Share-Based Payments (cont'd)

In March 2005 the Company adopted a share option plan to allot options to directors and employees of the Company and its subsidiaries (the "2005 Plan"). As at December 31, 2015, no new options may be granted under the 2005 Plan.

Ordinary shares which shall be issued by the Company pursuant to exercise of options granted under the 2015 Plan and the 2005 Plan, entitle their holders with any and all rights attached to the Company's ordinary shares, *inter alia*, the right to receive dividends, the right to participate in the distribution of the Company's assets upon liquidation, voting rights in the Company's General Meetings (provided that as long as the ordinary shares are being held by the trustee, such voting rights will be exercised by the trustee, according to instructions provided by the holders, and if no such instructions are provided – as per the trustee's discretion).

Currently, the vesting periods of the options granted under the 2005 Plan range from one year following the date of grant (as such term is defined in the 2005 Plan) and up to four years following the date of grant (the said range may vary, *inter alia*, due to the exercise price of the options granted, which exercise price may be the Market Price (as such term is defined in the 2005 Plan) of the Company's share, or a discount therefrom of up to 20% thereon). A total of 39,421,435 options have been granted under the 2005 Plan of which 11,248,399 options are currently outstanding and 20,208,551 options have been exercised to date (with the balance having been forfeited).

Under the terms of the 2005 Plan and the 2015 Plan (hereinafter the "Plans"), options shall expire at the end of six years commencing on the date of grant (or any earlier date, if such was mentioned in the grant instrument) or on cessation of employment, at the earlier of the two. Unexercised vested options can generally be exercised within 90 days of cessation of employment.

The Income Tax Authorities have recognised the Plans as a "share allotment through a trustee" plan according to Section 102 to the Tax Ordinance using the "capital gain track." As a result, the benefit to the Israeli employee from the option plan shall be either classified as ordinary income or capital gain, all in accordance with the provisions of Section 102(b)(3) to the Tax Ordinance.

As at December 31, 2015, no options have been granted under the 2015 Plan. During the year ended December 31, 2015, the Company granted 600,000 options under the 2005 Plan to employees with vesting conditions of two to four years and a contractual life of six years. The options will vest subject to service based conditions and performance based conditions, related to the market price of the Company's shares. During the year ended December 31, 2014, the Company granted 3,810,000 options under the 2005 Plan to employees and directors with vesting conditions of one to four years and a contractual life of six years. The options will vest subject to service based conditions and performance based conditions, including, sales targets and market price of the Company's shares (also see Note 27). Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted average exercise price in US$ per share	Options	Weighted average exercise price in US$ per share	Options
Outstanding at January 1	**1.048**	**15,753,142**	0.750	15,110,794
Granted	**1.981**	**600,000**	1.962	3,810,000
Forfeited	**0.939**	**(3,207,125)**	1.048	(543,750)
Exercised	**0.451**	**(1,897,618)**	0.368	(2,623,902)
Outstanding at December 31	**1.129**	**11,248,399**	1.048	15,753,142

Note 22 - Share-Based Payments (cont'd)

The number of share options vested at December 31, 2015 and 2014 was 4,103,124 and 2,413,974, respectively. The weighted average share price at the date of exercise for share options exercised in 2015 was US$ 1.82 (2014 – US$ 2.01).

The Company measured the fair value of the share options granted using a lattice-based valuation model and a Monte-Carlo model for options that included a market price condition. The following assumptions under this method were used for the share options granted during the years ended December 31, 2015 and 2014: weighted average expected volatility of: 55.8% and 71.0%, respectively; weighted average risk-free interest rates (in US dollar terms) of 1.4% and 1.7%, respectively; dividend yield of 2.5% and 3.0%, respectively. The weighted average fair value of the share options granted during the years ended December 31, 2015 and 2014 using the model was US$ 0.836 and US$ 0.988 per share option, respectively.

The average share price in 2015 was US$ 1.44 (2014 – US$ 2.00).

The following table summarises information about share options outstanding at December 31, 2015:

	Options outstanding			Options exercisable	
Range of exercise prices US$ per share	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price US$	Number Exercisable	Weighted-average exercise price US$
0.249 – 0.373	2,214,064	1.7	0.329	1,571,874	0.311
0.873 – 0.987	4,624,335	3.0	0.909	1,680,000	0.934
1.570 – 2.021	4,410,000	4.4	1.762	851,250	1.888
	11,248,399	3.3	1.129	4,103,124	0.893

The expenses derived from share-based payment transactions are as follows:

	Year ended December 31	
	2015	**2014**
	US$ thousands	
Cost of sales	**99**	134
Research and development expenses	**194**	253
Sales and marketing expenses	**651**	1,043
General and administrative expenses	**385**	1,277
	1,329	2,707

Note 23 - Warranty Provision

The provision for warranty relates mainly to product sales during the years ended December 31, 2015 and 2014. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the liability over the next year.

Note 23 - Warranty Provision (cont'd)

The movement in the warranty provision is as follows:

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Balance at the beginning of the year	**434**	387	**319**	229
Provisions made during the year	**299**	489	**194**	429
Provisions used during the year	**(427)**	(442)	**(294)**	(339)
Balance at the end of the year	**306**	434	**219**	319

Note 24 - Financial Instruments

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	Carrying amount			
	2015	2014	2015	2014
	US$ thousands			
Cash and cash equivalents	**19,298**	20,352	**9,268**	7,834
Short-term investments (bank deposits)	**13,298**	25,145	**7,532**	17,382
Trade receivables	**11,337**	13,486	**3,164**	4,080
	43,933	58,983	**19,964**	29,296

The majority of the Group's and Company's cash, cash equivalents and short-term investments are in Israel-based banks.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Company	
	Carrying amount			
	2015	2014	2015	2014
	US$ thousands			
India	**8,631**	10,462	**2,322**	2,819
Europe	**208**	221	**13**	93
North America	**153**	60	**107**	560
Africa	**703**	560	**209**	77
Israel	**1,112**	1,338	**383**	223
Other	**530**	845	**130**	308
	11,337	13,486	**3,164**	4,080

Note 24 - Financial Instruments (cont'd)

For the years ended December 31, 2015 and 2014, a single customer comprised approximately 26% and 21%, respectively, of the Group's outstanding trade receivables. For the year ended December 31, 2015, one customer comprised approximately 66% of the Company's outstanding trade receivables. For the year ended December 31, 2014, three customers comprised approximately 50% of the Company's outstanding trade receivables.

Impairment losses

The aging of trade receivables at the reporting date was:

	Group			
	Gross	Impairment	Gross	Impairment
	2015		2014	
	US$ thousands			
Not past due	**9,513**	--	10,817	--
Past due 0-30 days	**877**	--	811	--
Past due 31-90 days	**540**	--	1,167	--
More than 90 days*	**767**	**(360)**	1,050	(359)
	11,697	**(360)**	13,845	(359)

	Company			
	Gross	Impairment	Gross	Impairment
	2015		2014	
	US$ thousands			
Not past due	**2,476**	--	3,523	--
Past due 0-30 days	**610**	--	146	--
Past due 31-90 days	**66**	--	171	--
More than 90 days*	**245**	**(233)**	474	(234)
	3,397	**(233)**	4,314	(234)

* The majority of the non-impaired balances as at December 31, 2015 and 2014 were paid subsequent to December 31, 2015 and 2014, respectively.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2015	2014	2015	2014
	US$ thousands			
Balance at January 1	**359**	389	**234**	251
Balance at December 31	**1**	(30)	**(1)**	(17)
	360	359	**233**	234

Note 24 - Financial Instruments (cont'd)

Exposure to currency risk

The Group's and Company's exposure to foreign currency risk was as follows based on notional amounts translated into US$ thousands as at December 31, 2015 and 2014:

	Group			
	December 31, 2015		December 31, 2014	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**5,078**	**3,085**	6,813	2,978
Trade receivables	**--**	**1,118**	--	1,289
Other current assets	**2,780**	**748**	1,816	104
Trade payables	**(1,589)**	**(117)**	(2,107)	(203)
Income tax payable	**--**	**(211)**	--	(174)
Other payables	**(2,578)**	**(2,283)**	(4,552)	(1,832)
Net balance sheet exposure	**3,691**	**2,340**	1,970	2,162

	Company			
	December 31, 2015		December 31, 2014	
	NIS	Rupee	NIS	Rupee
Cash and cash equivalents	**1,983**	**--**	638	--
Trade receivables	**114**	**--**	36	--
Other current assets	**1,725**	**--**	845	--
Trade payables	**(1,022)**	**--**	(1,501)	--
Other payables	**(3,740)**	**--**	(8,530)	--
Net balance sheet exposure	**(940)**	**--**	(8,512)	--

The following significant exchange rates applied during the year:

	Average rate		As at December 31	
	2015	2014	2015	2014
NIS 1	**3.887**	3.578	**3.902**	3.889
Rupee 1	**64.30**	61.10	**66.33**	63.33

The Group is mainly exposed to changes in the exchange rates of the US dollar in relation to the NIS with regards to employee compensation and other expenses paid in NIS. For the year ended December 31, 2015, the Group maintained its portion of cash and cash equivalents held in NIS (equivalent to US$ 5.1 million at December 31, 2015 (US$ 6.8 million in 2014)) to match anticipated NIS linked expenses. An appreciation/depreciation of 10% of the NIS and Rupee relative to the US dollar will not result in any material loss/gain in the Statement of Profit and Loss and Other Comprehensive Income.

Note 24 - Financial Instruments (cont'd)

Fair values

The fair values of cash and cash equivalents, trade receivables, certain other current assets, short-term investments, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these instruments.

Note 25 - Commitments

A. Operating lease commitments

The total future minimum lease payments of the Group, under non-cancellable operating leases in respect of properties and motor vehicles, are payable as follows:

	As at December 31	
	2015	**2014**
	US$ thousands	
Payable within:		
1 year	**1,727**	1,255
2 to 3 years	**3,392**	331
4 to 5 years	**2,524**	10
More than 5 years	**418**	--
	8,061	1,596

During the year ended December 31, 2015, approximately US$ 1.7 million was recognised as an expense in the statement of comprehensive income in respect of operating leases (2014 - US$ 1.5 million).

B. The Group is committed to pay royalties at the rate of 3%-3.5% to the OCS on sales proceeds from products for which it received grants up to an amount not exceeding the grants received (linked to the exchange rate of the US dollar). The total grants received, net of royalties paid to the OCS, excluding Galatea, which was repaid in 2013, was approximately US$1.1 million through December 31, 2015. As the technology related to these grants was not commercially successful, future sales connected to the research and development of this technology are still dependent on the result of further successful research and development and market acceptance.

C. On December 2, 2010, a subsidiary of the Company acquired light performance technology. Under the terms of the agreement, the subsidiary may be required to pay additional contingent consideration due in the form of royalties of approximately 5% on certain revenue for a period of up to 14 years following the date of such acquisition, based on 'net sales' as defined in the agreement.

D. On November 9, 2011, a subsidiary of the Company acquired polished diamond imaging technology. Under the terms of the agreement, the subsidiary may be required to pay additional contingent consideration due in the form of royalties of approximately 5% on sales for a period of not less than 7 years following the date of acquisition and up to the life of the patents, capped at US$10 million. Under the terms of the agreement, no royalties were due for the period ended December 31, 2015.

E. See Note 27 for contractual obligations to related parties.

F. See Note 10 for contractual obligations related to the ongoing construction of Sarin India's facility.

Note 26 - Contingencies

The Group is currently a party to a number of civil litigation proceedings in various jurisdictions in which it does business. The various proceedings include patent and intellectual property infringement litigation, initiated either by us or third parties, a previous distributor litigation and a previous supplier claim. Based on the opinions of the Group's legal advisors, the Group believes that the claims mentioned above are without merit and its exposure to these disputed claims will not have a material impact on its business nor on its financial position or results of operation. Accordingly, no provision has been made in the Group's financial statements for such claims. As to tax disputes, see Note 9.

Note 27 - Related Parties

The following significant related party transactions between the Group and related parties were carried out in the normal course of business on terms agreed between the parties:

Remuneration of key management personnel

	Year ended December 31	
	2015	**2014**
	US$ thousands	
Remuneration of key management personnel and directors		
Fixed income-based	**623**	661
Share-based payments	**321**	1,116
Other performance based incentives	**--**	401
	944	2,178

Pursuant to an Annual General Meeting and an Extraordinary General Meeting of the Company's shareholders held on April 30, 2014, three independent directors were granted 1,200,000 options to purchase ordinary shares of the Company, exercisable upon the payment of S$2.858 per share (at no discount of the then Market Price – as such term is defined in the 2005 Plan), with vesting conditions of one to three years and a contractual life of six years. The options will vest subject to service based conditions. The fair value of the options granted was US$ 1.164 per share at the grant date.

Other related party transactions

In September 2009, the Group leased 224 square meters of office space in the Israeli Diamond Exchange building, from a company controlled by Mr. Avraham Eshed, a Director of the Company. As of September 2013, and as amended in 2015, the lease was extended through December 31, 2015. The monthly rent for the first year period following renewal in 2013 was US$ 10,069 per month, and thereafter was US$ 10,875 per month. For the years ended December 31, 2015 and 2014, the annual rent paid was approximately US$ 131,000 and US$ 124,000 per year, respectively. In addition the Company paid in 2016, approximately US$ 10,000 for repairs and restoration upon conclusion of the lease period.

Note 28 - Group Entities

The following subsidiaries have been included in the consolidated financial statements:

	Place of Incorporation	Effective equity interest held by the Group as at December 31, 2015 and 2014 %
Galatea Ltd.	Israel	100%
Sarine Color Technologies Ltd.	Israel	100%
Sarine Polishing Technologies Ltd.	Israel	100%
Sarine Holdings USA Ltd.	Israel	100%
Sarin Technologies India Pvt. Ltd.	India	100%
Sarin Hong Kong Ltd.	Hong Kong	100%
Sarine North America Inc.	Delaware, USA	100%
Sarine IGT 10H Inc.	Delaware, USA	100%
Sarine IGT 10I Inc.	Delaware, USA	100%
Sarine IGT 10JKL Inc.	Delaware, USA	100%

Investments in subsidiaries

	Company	
	2015	**2014**
	US$ thousands	
Movements during the year:		
Balance at beginning of year	**25,465**	19,255
Loans and credit granted to subsidiaries	**10,626**	6,210
Balance at end of year	**36,091**	25,465

Note 29 – Subsequent Events

On February 28, 2016, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 1.5 cents per ordinary share for the full year ended December 31, 2015. Pursuant to the approval of the annual general meeting of the Company's shareholders to be held in April 2016, the Company expects to pay a US$ 5.2 million dividend on May 13, 2016, with Books Closure Date on April 29, 2016.

On February 28, 2016, the Company granted 6,080,000 options to employees to purchase ordinary shares at an exercise price of S$ 1.364, with vesting periods of up to four years and a contractual life of six years. The option grants will vest subject to service based conditions and/or performance based conditions, including, sales targets and profitability.

SHAREHOLDING STATISTICS
As at 9 March 2016

Issued and fully paid-up	- 350,800,073
No. of Treasury Shares	- 1,583,100
Class of shares	- ordinary shares of no par value
Voting rights	- on a show of hands, by written ballot or by any other means: 1 vote for each ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	14	1.47	386	0.00
100 - 1000	121	12.74	91,878	0.03
1,001 - 10,000	558	58.74	2,684,771	0.76
10,001 - 1,000,000	246	25.89	12,447,184	3.55
1,000,001 and above	11	1.16	335,575,854	95.66
	950	100.00	350,800,073	100.00

Shareholdings Held in Hands of Public

Based on information available to the Company as at 9 March 2016, approximately 41.04% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%*
1	Citibank Nominees Singapore Pte Ltd	131,933,705	37.78
2	DBS Nominees Pte Ltd	68,719,774	19.68
3	HSBC (Singapore) Nominees Pte Ltd	62,400,428	17.87
4	Raffles Nominees (Pte) Ltd	21,827,401	6.25
5	DBSN Services Pte Ltd	16,858,361	4.83
6	UOB Kay Hian Pte Ltd	15,632,675	4.48
7	United Overseas Bank Nominees Pte Ltd	7,300,150	2.09
8	Eyal Avraham Khayat	6,431,860	1.84
9	Khoo Wooi Chee	1,868,100	0.53
10	DB Nominees (S) Pte Ltd	1,582,900	0.45
11	Bank of Singapore Nominees Pte Ltd	1,020,500	0.29
12	Soh Cheng Lin	800,000	0.23
13	Chan Kam Loon	530,000	0.15
14	Kwok Yan Hoe	375,000	0.11
15	Chow Kwok Hong	350,000	0.10
16	Cheong Shuek Mui	300,000	0.09
17	Chen Wei Ching	290,000	0.08
18	Maybank Kim Eng Securities Pte Ltd	283,893	0.08
19	ABN Amro Nominees Singapore Pte Ltd	250,500	0.07
20	Lim Eng Ser	223,750	0.06
		338,978,997	97.06

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 9 March 2016 of 349,216,973 shares (which excludes 1,583,100 shares which are held as treasury shares representing approximately 0.45% of the total number of issued shares excluding treasury shares).

SHAREHOLDING STATISTICS

As at 9 March 2016

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest No. of Shares	Direct Interest %*	Deemed Interest No. of Shares	Deemed Interest %*
Mondrian Investments Partners Ltd.	--	--	32.334,400	9.26
FIL Limited.	--	--	27.476,750	7.87
Pandanus Partners L.P.[1]	--	--	27.476,750	7.87
Ehud Harel[2]	--	--	25,796,348	7.39
Hanoh Stark[3]	--	--	24,590,524	7.04

* The percentage of issued ordinary shares is calculated based on the number 349,216,973 of issued ordinary shares of the company as at 9 March 2016 (excluding 1,583,100 treasury shares).

1 FIL Limited notified the Company that Pandanus Partners L.P. is deemed interested in the shares held by FIL Limited

2 Ehud Harel is deemed a shareholder of the Company by virtue of his indirect ownership through Hargem, Ltd. of 25,608,848 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians and, by virtue of his indirect ownership of 187,500 shares held on his behalf by Eyal Khayat, Option Plan 2005 trustee, through UOB Kay Hian Pte. Ltd.,pursuant to the Plan.

3 Hanoh Stark is deemed a shareholder of the Company by virtue of his indirect ownership through Stark & Co., Ltd. of 24,590,524 shares held on his behalf by the Israel Discount Bank through Citibank N.A. Singapore custodians.

Directors' Interests in Shares of the Company

Name of Director	Shareholdings in the name of the Director			Shareholdings in which the Director is deemed to have an interest		
	As at 1 January 2015	As at 31 December 2015	As at 21 January 2016	As at 1 January 2015	As at 31 December 2015	As at 21 January 2016
Daniel Benjamin Glinert*	--	--	--	45,451,250	12,299,156	12,299,156
Yehezkel Pinhas Blum	--	--	--	--	--	--
Chan Kam Loon	537,000	539,000	539,000	18,000	24,000	24,000
Avraham Eshed*	--	--	--	366,250	15,098,022	15,098,022
Ehud Harel*	--	--	--	100,347,000	25,796,348	25,796,348
Uzi Levami*	--	--	--	45,387,500	12,235,406	12,235,406
Eyal Mashiah*	--	--	--	625,000	16,325,096	16,325,096
Valerie Ong Choo Lin	--	--	--	575,500	575,000	575,000
Hanoh Stark*	--	--	--	100,159,500	24,590,524	24,590,524

* After January 1, 2015 Sarin Research and Development Ltd. and Interhightech (1982) Ltd., substantial shareholders of the Company till such date, transferred all their holdings in the Company to their respective shareholders, including the aforementioned directors. Following such transfer neither Sarin Research and Development Ltd., nor Interhightech (1982) Ltd. hold any shares in the Company, and therefore, the deemed shareholdings of the aforementioned directors were reduced/increased accordingly, however no change in their beneficial holdings was effected. Please refer to the Company announcement of 19 January 2015 in this regard for further information regarding the divestment of Sarin Research and Development Ltd. and Interhightech (1982) Ltd. of their shares as noted.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Maxwell Chambers, 32 Maxwell Road #03-01, Singapore 069115 [See Explanatory Note (a)] on the 19th day of April 2016 at 3:00 PM Singapore time (10:00 AM Israel time) to transact the following business:-

Ordinary Business

1. To receive and consider the audited accounts for the year ended 31 December 2015 and the reports of the directors and auditors thereon.

2. To declare a final dividend of US cent 1.5 (gross) per share less tax (as applicable) for the year ended 31 December 2015.

3. To re-appoint Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors and to authorise the Board of Directors to fix their remuneration.

4. To approve the Remuneration Policy [see Explanatory Notes (b) and (c) and Appendix A]

5. To approve the CEO’s remuneration [see Explanatory Note (c) and Appendix B]

6. To approve Directors' remuneration [see Explanatory Note (c) and Appendix B]

Special Business

7. To consider and, if thought fit, to pass the following shareholders’ resolutions with or without amendments [see Explanatory Note (d)]:-

7.1 Authority to issue shares

That authority be given to the directors of the Company to issue and allot shares in the Company whether by way of rights, bonus or otherwise (including but not limited to the issue and allotment of shares at any time, whether during the continuance of such authority or thereafter, pursuant to offers, agreements or options made or granted by the Company while this authority remains in force) by the directors, or otherwise disposal of shares (including making and granting offers, agreements and options which would or might require shares to be issued, allotted or otherwise disposed of, whether during the continuance of such authority or thereafter) by the directors of the Company at any time to such persons (whether or not such persons are shareholders), upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT:

(i) the aggregate number of shares to be issued pursuant to such authority shall not exceed 50% of the issued shares in the capital of the Company (as calculated in accordance with paragraph (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must not be more than 20% of the total issued shares in the capital of the Company;

(ii) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under paragraph (i) above, the total number of issued shares shall be based on the number of issued shares in the capital of the Company at the time this resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities or new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(iii) unless revoked or varied by the Company in a general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (e)]

7.2 Authority to offer and grant options and issue shares pursuant to the Sarine Technologies Ltd 2015 Share Option Plan and to issue shares upon the exercise of options, which were previously granted under the Sarin Technologies Ltd 2005 Share Option Plan,

That the directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Sarine Technologies Ltd 2015 Share Option Plan (the "2015 Plan") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the 2015 Plan and/or under the Sarin Technologies Ltd 2005 Share Option Plan (the "2005 Plan"), provided always that the aggregate number of such shares to be issued pursuant to the 2015 Plan and the 2005 Plan and any other share option schemes of the Company for the time being in force shall not exceed 15% of the issued shares in the capital of the Company (excluding treasury shares) from time to time. [See Explanatory Note (f)]

8. To transact any other business, which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

AMIR JACOB ZOLTY
Company Secretary

Israel,
4 April 2016

Proxies:-

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

An instrument appointing a proxy must be deposited at the office of the Company's main offices at 7 Atir Yeda St., Kfar Saba, Israel or at the Singapore Share Transfer Agent at 112 Robinson Road #05-01 The Corporate Office Singapore 068902 not less than 24 hours before the time fixed for the meeting.

Explanatory Notes:-

(a) Israeli shareholders who wish to take part in the Annual General Meeting from Israel may do so by attending at the Company's main offices in the Board room (level 3), 7 Atir Yeda St., Kfar Saba 4464307, Israel at 10:00 AM, Israel time on said day (19 April 2016). The persons attending the said audio/video conference will be able to pose questions to the Company and to comment on the Company's reports. It should be noted, however, that only persons who shall actually attend the Annual General Meeting in Singapore (whether in person or via proxy) may vote in the Annual General Meeting.

(b) Pursuant to the Israeli Companies Law, 5759-1999 (the "**Israeli Companies Law**") (for more details, please see the Company's announcement No. 144 of 3 January 2013, titled: "Recent Changes Introduced to the Israeli Companies Law"), each publicly-traded Israeli company is required to set a remuneration policy addressing issues such as actual remuneration, in cash and in kind, retirement terms, indemnification, insurance and exemption from liability (the "**Remuneration Policy**").

The Remuneration Policy should create clear guidelines for personalised, fixed and incentive-based, remuneration of officers, in line with the company's goals, plans, long-term policy and risk management policy. The Remuneration Policy should also set measurable corporate and personal targets, set a cap on variable remuneration and provide for return of variable remuneration, in case such was paid based on inaccurate data.

Such Remuneration Policy should be adopted by the Board of Directors of the company, at least every three years, based on the recommendations of the Remuneration Committee, and be further approved by the general meeting of the shareholders of the company.

The Company's Remuneration Committee and the Company's Board of Directors discussed and approved the Remuneration Policy detailed in Appendix A on 28 February 2016, and summarised in Note (c).

(c) Remuneration Packages

General

- The actual proposed packages will take into account the executive's knowledge, skills, expertise, experience and past accomplishments in and prior to joining the Group.
- The actual proposed packages will take into account existing remuneration agreements and will not decrease from those.
- The fixed compensation (salary / pay) is not dependent on actual results.
- The variable compensation (bonuses) may be zero, but may not be negative.
- Equity based compensation is all at Market Price and is to be aimed at falling within guidelines set in Policy based on cost, estimated using a lattice-based valuation model applying management assumptions, at time of grant.
- All target based compensation will be based on audited financial results and may be corrected (and reimbursed, if necessary, by the beneficiary), if subsequent audits find cause for restatements of results.
- We believe the proposed policies will not create disparities which will impair labor relations, as will be eminent from the actual proposed packages, which will provide appropriate metrics.
- Severance compensation will be solely as prescribed by the relevant statutory requirements (no so-called "golden parachutes").
- Specific exemptions from ceilings of standard Israeli benefits may be approved as appropriate, e.g., additional health and disability insurance for individuals with special requirements.

- The Company shall maintain, at all times, Directors' and Officers' liability insurance for the directors and officers of the Company and of its direct and indirect subsidiaries, subject to the provisions of applicable laws and of each company's Articles of Association. The maximum amount covered by such insurance shall not exceed US$30 million.

- The Company shall grant its directors and the directors of its (direct and indirect) subsidiaries letters of indemnification, in line with the Company's existing practice and subject to the provisions of applicable laws and of each company's Articles of Association.

- See Appendix B for details of the proposed packages for the Directors and CEO.

(d) A shareholders' resolution shall be deemed adopted if approved by the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon. Notwithstanding the aforesaid, according to the Israeli Companies Law, the approval of resolution No. 4 (approval of the Company's Remuneration Policy), resolution No. 5 (approval of the CEO's remuneration) and resolution No. 6 (directors' remuneration) on the agenda of this Annual General Meeting requires a majority of the shareholders attending and voting (abstaining votes notwithstanding), provided that: (i) such majority shall consist of the majority of the participating and voting shareholders who are not the controlling shareholders of the company, or otherwise having a personal interest in such appointment; or (ii) the non-interested shareholders who voted against such appointment hold not more than 2% of the company's share capital, According to the Israeli Companies Law, a personal interest" is: "a personal interest of any person in an act or transaction of a company, including a personal interest of his relative or of a corporate body in which such person or a relative of such person has a personal interest, but excluding a personal interest stemming from the fact of a shareholding in the company, including a personal interest of the person voting according to a proxy given to him by another person, even if the appointer does not have a personal interest, and including a personal interest of the appointer, even if the appointee does not have a personal interest, all whether or not the appointee is granted any discretion with regard to the subject matter of the voting.

Please Note: according to the recent Israeli court ruling, a shareholder must positively inform the Company whether or not such shareholder has a personal interest in a proposal which is subject to approval by a majority vote of disinterested shareholders, as in the case of resolutions 4, 5 & 6. Your failure to check the box on the proxy form indicating that you have no personal interest will therefore require the Company to assume that you have a personal interest in resolutions 4, 5 & 6 and disqualify your vote on such proposals.

We may no longer assume that a shareholder who signs and returns a proxy form without a specific indication as to the lack of personal interest of such shareholder has no personal interest with respect to resolutions 4, 5 & 6. If you believe that you, or a related party of yours, is a controlling shareholder or possesses a personal interest and you wish to participate in the vote on resolutions 4, 5 & 6, you should not indicate in the appropriate box that there exists no personal interest on the enclosed proxy form. If you hold your shares through a bank, broker or other nominee and believe that you possess a personal interest in the approval of either resolution, you may also contact the representative managing your account, who could then contact us on your behalf.

(e) The shareholders' resolution set out in item 7.1 above, if passed, will empower the Directors from the date of the above meeting until the date of the next Annual General Meeting, to issue shares in the Company. The maximum number of shares which the Directors may issue under this resolution shall not exceed the quantum set out in this resolution.

(f) The shareholders' resolution set out in item 7.2 above, if passed, will empower the Directors to offer and grant options and to allot and issue shares in the capital of the Company pursuant to the exercise of the options granted under the Plan.

Appendix A - Remuneration Policy 2016 – 2018

General

- As the payments to the CEO and to other senior officers of the Company may be effected (in whole or in part) in New Israeli Shekels (NIS), the amounts specified herein were computed based on the applicable exchange rate as of the Last Practicable Date (LPD), being 28 February 2016 (being 3.90 NIS to US$1), and may be subject to increase in case of fluctuations in the applicable exchange rate.

CEO - Policy

- Maximum monthly Salary – US$25,000
- Benefits: Standard Israeli social benefits (provident and education funds, managers' insurance, etc.), Company car, Company cell-phone, trade and economic press subscriptions as appropriate, business class on trips five hours and over, D&O insurance and indemnification.
- Maximum annual bonus – up to 12 monthly salaries or equivalent, based on achieving annual Company goals.
- Long term (three year) options at Market Price (on day of grant) with estimated cost to company of US$1 million over three years.
- Up to 40% of options to be granted: time based vesting (1/3 at the end of each year).
- Rest of options: target based vesting as per strategic long-term Company goals for three years, e.g., increase in share price, increase in profitability, increase in sales, establishing traction of polished diamond products and services or other new business launch.
- In case of termination not-for-cause, non-elective resignation or change in Group control, prior to the lapse of three years from the date of grant, a pro-rated portion of granted options to be automatically vested.

COO/CFO/Senior VP/Chairman/Executive Director - Policy

- Maximum monthly salary / pay (for COO, CFO and Senior VP – salary; for Chairman and Directors – pay) – US$15,000
- Benefits: Standard Israeli social benefits (provident and education funds, managers' insurance, etc.), Company car, Company cell-phone, trade and economic press subscriptions as appropriate, business class on trips 10 hours and over (Chairman and Directors - on trips five hours and over), D&O insurance and indemnification.
- Maximum annual bonus – up to 12 monthly salaries or equivalent, based on achieving annual Company goals.
- Long term (three year) options at Market Price (on day of grant) with estimated cost to company of US$600,000 over three years.
- Up to 40% of options to be granted: time based vesting (1/3 at the end of each year).
- Rest of options: target based vesting as per strategic long-term Company goals for three years weighted as per personal contribution expected (Directors' targets identical to those set for CEO), - e.g., increase in share price, increase in profitability, increase in sales, establishing traction of polished diamond products and services or other new business launch.
- In case of termination not-for-cause, non-elective resignation or change in Group control, prior to the lapse of three years from the date of grant, a pro-rated portion of granted options to be automatically vested.

VPs - Policy

- Maximum monthly Salary - US$12,000

- Benefits: Standard Israeli social benefits (provident and education funds, managers' insurance, etc.), Company car, Company cell-phone, business class travel in extraordinary circumstances, D&O insurance and indemnification.

- Maximum annual bonus – up to four monthly salaries or equivalent, based on achieving annual Company goals

- Long term (three year) options at Market Price (on day of grant) with estimated cost to company of US$300,000 over three years.

- Up to 50% of options: time based vesting (1/3 at the end of each year).

- Rest of options: target based vesting as per strategic long-term Company goals for three years, weighted as per personal contribution expected, e.g., increase in share price, increase in profitability, increase in sales, establishing traction of polished diamond products and services or other new business launch.

- In case of termination not-for-cause, non-elective resignation or change in Group control, prior to the lapse of three years from the date of grant, a pro-rated portion of granted options to be automatically vested.

Non-Executive Directors - Policy

- Remuneration based on actual participation in Board and committee meetings, not to exceed US$1,000 for participation in person, 60% of same, i.e., US$600, for participation over the phone and 50% of same, i.e., US$500, for a written resolution.

- Long term (three year) options at Market Price (on day of grant) with estimated cost to company of US$150,000 (per each Non-Executive Director) over three years, granted once upon appointment to the Board.

Independent Directors - Policy

- Maximum pay of US$33,000, provided that the annual fees of the Independent Directors, who are also External Directors (as such term is defined in the Israeli Companies Law – i.e. a director who possesses either financial and accounting skills or professional skills, is not related or otherwise has no present or near-past linkage to the company in question and/or to its controlling shareholders; External Directors are appointed for fixed terms of three years each, by a special majority and may not be removed from office, other than under extraordinary circumstances), shall not exceed the maximum amount allowed under the Israeli Companies Law and under the applicable Israeli regulations (currently NIS 115,400) Additional remuneration based on actual participation in Board and committee meetings, not to exceed US$1,000 for participation in person, 60% of same, i.e., US$600, for participation over the phone and 50% of same, i.e., US$500, for a written resolution.

- Long term (three year) options at Market Price (on day of grant) with estimated cost to company of US$150,000 (per Independent Director) over three years, granted once upon appointment to the Board, subject to the provisions of the Israeli Companies Law [according to the Israeli Companies Law and the applicable regulations, Independent Directors, who are also External Directors, are appointed for a three-year term and their remuneration, as well as the grant of options to such External Directors, should be defined upon their appointment and remain in effect throughout such three-year period, and may be subject to certain other restrictions].

Appendix B - Remuneration packages for Directors and CEO

- All costs are given in annualised terms.

- Illustrative options costs are estimated as per share price (S$1.37) and currency conversion rates (US$1 = NIS 3.90 and US$1 = S$1.40) as per the Last Practicable Date (LPD) being 28 February 2016, and are based on IFRS guidelines using a lattice-based valuation model applying management assumptions (e.g., share volatility).

- Specific projected target of accumulative three-year adjusted EBITDA and aggressive targets of sales non-polished diamond products and services (Galaxy™-family inclusion mapping, planning and other related equipment) and sales of polished diamond products and services are not disclosed due to the sensitivity of the information.

a. Daniel Benjamin Glinert – Executive Chairman of the Board
   - Monthly compensation US$11,500 in 2016 and US$12,100 in 2017 onwards + out-of-pocket expenses according to current practice (~ US$600 a month in 2015). Estimated cost to Sarine = US$145,000 in 2016 and US$152,500 in 2017,

   - Annual bonus of one month compensation per increase in sales relative to previous year on rolling year basis (increments of US$3 million in 2016, US$2 million in 2017 and US$1 million in 2018). Annual bonus capped at 8 months compensation annually). Cap = US$92,000 in 2016 and US$96,800 in 2017 onwards).

   - Annual bonus of US$1,000 per every S$0.01 added to share price (at end of year), capped at US$100,000 annually.

   - Options – up to 1,000,000 options (as specified in the Company's circular dated 4 April 2016) – subject to the approval of the Company's Extraordinary General Meeting, scheduled for 19 April 2016.

   - Estimated average annual expense = US$490,000.

   - Comparatives:
     - To Israeli benchmark – On par
     - To Sarine median pay – N/A
     - To Sarine average pay – N/A

b. Uzi Levami – Executive Director and CEO
   - Monthly salary NIS 60,460 in 2016 and NIS 63,760 in 2017 onwards (~US$15,500 and US$16,350, respectively as of LPD currency conversion rates) plus benefits as per policy. Estimated cost to Sarine = US$287,000 in 2016 and US$299,200 in 2017 onwards].

   - Annual bonus of one monthly salary per increase in sales relative to previous year on rolling year basis (increments of US$3 million in 2016, US$2 million in 2017 and US$1million in 2018). Bonus capped at 8 monthly salaries annually. Estimated cap = US$125,000 in 2016 and $131,000 in 2017 onwards, at LPD exchange rate.

   - Options – up to 1,800,000 options (as specified in the Company's circular dated 4 April 2016) – subject to the approval of the Company's Extraordinary General Meeting, scheduled for 19 April 2016.

   - Estimated average annual expense = US$725,000

   - Comparatives on salary and benefits:
     - To Israeli benchmark (TZviran Public Company Remuneration Survey) – 62%
     - To Sarine median pay – 3.6
     - To Sarine average pay – 3.3

c. Eyal Mashiah – Executive Director
- Monthly compensation US$8,500 in 2016 and US$9,000 in 2017 onwards. Annual cost to Sarine = US$102,000 in 2016 and US$ 108,000 in 2017 onwards.

- Annual bonus of one month compensation per increase in sales relative to previous year on rolling year basis (increments of US$ 3 million in 2016, US$2 million in 2017 and US$1 million in 2018). Bonus capped at 8 months compensation annually. Estimated cap = US$68,000 in 2016 and $72,000 in 2017 onwards

- Options – up to 850,000 options (as specified in the Company's circular dated 4 April 2016) – subject to the approval of the Company's Extraordinary General Meeting, scheduled for 19 April 2016.
- Estimated total annual cost = US$320,000

- Comparatives:
  - To Israeli benchmark – N/A (no benchmark for directors per se exists)
  - To Sarine median pay – N/A
  - To Sarine average pay – N/A

d. Avraham Eshed, Ehud Harel and Hanoh Stark – Non-Executive Directors –
- Payment for for participation in person US$800, 60% of same, i.e., US$480, for participation over the phone and 50% of same, i.e., US$400, for a written resolution.

e. Chan Kam Loon, Yehezkel Pinhas Blum and Valerie Ong Choo Lin – Independent Directors –
- Not applicable as their remuneration was set upon their appointment to the Board in 2014 [according to the Israeli Companies Law and the applicable regulations, Independent Directors, who are also External Directors, are appointed for a three-year term and their remuneration, as well as the grant of options to such External Directors, should be defined upon their appointment and remain in effect throughout such three-year period].

Cautionary Statement

This Annual Report may contain "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target." Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as expected revenues; margins; cash flows; return on capital; capital expenditures, capital allocation or capital structure; and dividends. Actual results could differ materially. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: changes in law, economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the industry in which we operate, and our exposure to counterparties; the adequacy of our cash flows and earnings and other conditions which may affect our ability to pay dividend at the planned level or to repurchase shares at planned levels; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks; our capital allocation plans, as such plans may change including with respect to the timing and size of share repurchases, acquisitions, joint ventures, dispositions and other strategic actions; our success in integrating acquired businesses and operating joint ventures; our ability to realise anticipated earnings and savings from announced transactions, acquired businesses and joint ventures; the impact of potential information technology or data security breaches; and the other factors that are described in "Risk Factors" in our Annual Report for the year ended December 31, 2015. These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

SARINE TECHNOLOGIES LTD.
(Incorporated in Israel)
Israel Registration No. 51 1332207

PROXY FORM

I/We ____, NRIC/Passport no. ____________________________

of ____

being a member/members of Sarine Technologies Ltd. (the "Company"), hereby appoint

Name	Address	NRIC/Passport No.	No. of Shares

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	No. of Shares

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Maxwell Chambers, 32 Maxwell Road #03-01, Singapore 069115 on 19 April 2016 at 3:00 PM Singapore time and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the Annual General Meeting.

No.	Resolution	For	Against
1	Adoption of reports and accounts		
2	Declaration of final dividend for the year ended 31 December 2015		
3	Re-appointment of Somekh Chaikin Certified Public Accountants (Isr.), Member firm of KPMG International and Chaikin, Cohen, Rubin and Co., Certified Public Accountants (Isr.) as external auditors		
4	Adoption of Remuneration Policy*		
5	Adoption of CEO's Remuneration**		
6	Adoption of Directors' Remuneration***		
	Daniel Benjamin Glinert – Executive Chairman of the Board		
	Avraham Eshed – Executive Director		
	Eyal Mashiah – Executive Director		
	Ehud Harel – Non-Executive Director		
	Hanoh Stark – Non-Executive Director		
7.1	Authority to issue shares		
7.2	Authority to grant options pursuant to the Sarine Technologies Ltd 2015 Share Option Plan and issue shares pursuant to the Sarine Technologies Ltd 2015 Share Option Plan		

* I hereby declare that:
    - I have a personal interest in the approval of Resolution No. 4 (Adoption of Remuneration Policy)
    - I do not have a personal interest in the approval of Resolution No. 4 (Adoption of Remuneration Policy)

** I hereby declare that:
    - I have a personal interest in the approval of Resolution No. 5 (Adoption of CEO Remuneration)
    - I do not have a personal interest in the approval of Resolution No. 5 (Adoption of CEO Remuneration)

*** I hereby declare that:
    - I have a personal interest in the approval of Resolution No. 6 (Adoption of Directors Remuneration)
    - I do not have a personal interest in the approval of Resolution No. 6 (Adoption of Directors Remuneration)

Please Note: according to the recent Israeli court ruling, a shareholder must positively inform the Company whether or not such shareholder has a personal interest in a proposal which is subject to approval by a majority vote of disinterested shareholders, as in the case of resolutions 4, 5 & 6. Your failure to check the box on the proxy form indicating that you have no personal interest will therefore require the Company to assume that you have a personal interest in resolutions 4, 5 & 6 and disqualify your vote on such proposals.

We may no longer assume that a shareholder who signs and returns a proxy form without a specific indication as to the lack of personal interest of such shareholder has no personal interest with respect to resolutions 4, 5 & 6. If you believe that you, or a related party of yours, is a controlling shareholder or possesses a personal interest and you wish to participate in the vote on resolutions 4, 5 & 6, you should not indicate in the appropriate box that there exists no personal interest on the enclosed proxy form. If you hold your shares through a bank, broker or other nominee and believe that you possess a personal interest in the approval of either resolution, you may also contact the representative managing your account, who could then contact us on your behalf.

(Please check the suitable box).

Dated this _____ day of _______________ 2016

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal
Important: Please Read Notes Overleaf

Notes

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be deposited either at the offices of the Company at 7 Atir Yeda Street (3rd Floor), Kfar Saba, Israel or at the office of the Company's Singapore Share Transfer Agent at 112 Robinson Road #05-01 The Corporate Office Singapore 068902 not less than 24 hours before the time appointed for holding the meeting.

4 Where a member appoints more than one proxy, he shall specify the number of shares to be represented by each proxy, failing which, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a company or other body corporate, it must be executed under its common seal or stamp or under the hand of its duly authorised agent or attorney on behalf of the corporation.

6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

7 A company or other body corporate which is a member may authorise, by resolution of its directors or any other managing body, such person as it thinks fit to act as its representative at the meeting.

8 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 24 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

9. According to the Israeli Companies Law, 5759-1999, a "personal interest" is: "a personal interest of any person in an act or transaction of a company, including a personal interest of his relative or of a corporate body in which such person or a relative of such person has a personal interest, but excluding a personal interest stemming from the fact of a shareholding in the company, including a personal interest of the person voting according to a proxy given to him by another person, even if the appointer does not have a personal interest, and including a personal interest of the appointer, even if the appointee does not have a personal interest, all whether or not the appointee is granted any discretion with regard to the subject matter of the voting.

Corporate Information

BOARD OF DIRECTORS

Daniel Benjamin Glinert
Executive Director and Chairman of the Board

Uzi Levami
Executive Director and Chief Executive Officer

Eyal Mashiah
Executive Director

Avraham Eshed
Non-Executive Director

Ehud Harel
Non-Executive Director

Hanoh Stark
Non-Executive Director

Chan Kam Loon
Lead Independent Director

Yehezkel Pinhas Blum
Independent Director

Valerie Ong Choo Lin
Independent Director

AUDIT COMMITTEE

Chan Kam Loon - Chairperson
Yehezkel Pinhas Blum
Valerie Ong Choo Lin

NOMINATING COMMITTEE

Valerie Ong Choo Lin - Chairperson
Yehezkel Pinhas Blum
Chan Kam Loon
Daniel Benjamin Glinert
Eyal Mashiah

REMUNERATION COMMITTEE

Yehezkel Pinhas Blum - Chairperson
Chan Kam Loon
Valerie Ong Choo Lin
Hanoh Stark

REGISTERED OFFICE

Sarine Technologies Limited
7 Atir Yeda Street
Kfar Saba 4464307
Israel
Tel: +972-9-7903500
Fax: +972-9-7903501
www.sarine.com
Israel Registration Number: 51-133220-7

COMPANY SECRETARY

Amir Jacob Zolty (Adv.)

SHARE REGISTRAR

M&C Services Private Limited
112 Robinson Road
#05-01, The Corporate Office
Singapore 068902

JOINT AUDITORS OF THE GROUP

Somekh Chaikin
Certified Public Accountants (Isr.)
Member firm of KPMG International
KPMG Millennium Tower
17 Ha'arba'a Street
Tel Aviv 6473917
Israel
Partner-in-charge: Ehud Lev
(appointed with effect from 1 January, 2013)

Chaikin, Cohen, Rubin and Co.
Certified Public Accountants (Isr.)
Kiryat Atidim Building No. 4
P.O. Box 58143
Tel Aviv 6158002
Israel
Partner-in-charge: Ilan Chaikin
(appointed with effect from 1 January, 2012)

INTERNAL AUDITOR

Doron Cohen (CPA, CIA)
Fahn Kanne Control Management Ltd.
Subsidiary of Fahn Kanne and Co.
Certified Public Accountants (Isr.)
Member firm of Grant Thornton International
Hamasger 32
Tel Aviv 6721118
Israel

PRINCIPAL BANKERS

Bank Leumi Le-Israel Ltd.
Bursa Business Branch
7 Menachem Begin Street
Ramat Gan 5268102
Israel

Bank Hapoalim Ltd
Raanana Business Branch
14 Hatidhar Street
Raanana 4366516
Israel

7 Atir Yeda Street, Kfar Saba 4464307, Israel
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