MIND C.T.I. LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019

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IN U.S. DOLLARS

TABLE OF CONTENTS

Page

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM F-2

CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated balance sheets F-3
Consolidated statements of operations F-4
Consolidated statements of comprehensive income F-5
Statements of changes in shareholders’ equity F-6
Consolidated statements of cash flows F-7
Notes to consolidated financial statements F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of MIND C.T.I. LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MIND C.T.I. Ltd. and its subsidiaries ("the Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1L to the financial statements, effective January 1, 2019, the Company adopted the new standard related to leases using the modified retrospective approach.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
March 18, 2020
We have served as the Company’s auditor since 2009.

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MIND C.T.I. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

		December 31,	
		2019	**2018**
	Note	**U.S. dollars in thousands except per share data**	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	9a	$ 6,479	$ 2,739
Short-term bank deposits	9a	6,795	8,714
Marketable securities	2	1,916	4,352
Accounts receivable, net:			
Trade		3,082	2,130
Other	9b	577	560
Prepaid expenses		224	209
Inventories		4	4
Total current assets		19,077	18,708
INVESTMENTS AND OTHER NON-CURRENT ASSETS:			
Marketable securities	2	129	105
Long-term bank deposits	9a	-	98
Severance pay fund	6	1,725	1,439
Deferred income taxes	8c	36	34
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	3	167	164
RIGHT-OF-USE ASSETS, net of accumulated depreciation	4	1,290	-
INTANGIBLE ASSETS, net of accumulated amortization	5a	761	-
GOODWILL	5b	7,910	5,430
Total assets		$ 31,095	$ 25,978
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accruals:			
Trade		$ 2,066	$ 147
Other	9c	2,048	1,501
Current maturities of lease liabilities	4	292	-
Deferred revenues		1,892	1,788
Total current liabilities		6,298	3,436
LONG-TERM LIABILITIES:			
Deferred revenues		103	43
Lease liabilities, net of current maturities	4	983	-
Accrued severance pay	6	1,775	1,517
Total liabilities		9,159	4,996
SHAREHOLDERS' EQUITY:	7		
Share capital - Ordinary shares of NIS 0.01 par value – Authorized: 88,000,000 shares at December 31, 2019 and 2018; Issued: 21,660,010 shares at December 31, 2019 and 2018; Outstanding: 19,896,326 and 19,439,218 shares at December 31, 2019 and 2018, respectively		54	54
Additional paid-in capital		27,050	26,404
Accumulated other comprehensive loss		(884)	(877)
Accumulated deficit		(3,080)	(3,084)
Treasury shares – 1,763,684 and 2,220,792 shares at December 31, 2019 and 2018, respectively		(1,204)	(1,515)
Total shareholders' equity		21,936	20,982
Total liabilities and shareholders' equity		$ 31,095	$ 25,978

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

MIND C.T.I. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

		Years ended December 31,		
		2019	2018	2017
	Note	U.S. dollars in thousands, except per share data		
REVENUES:	10a			
Sales of licenses		$ 2,298	$ 2,151	$ 2,441
Services		20,366	15,984	15,621
Total revenues		22,664	18,135	18,062
COST OF REVENUES				
Cost of sales of licenses		140	80	238
Cost of services		9,986	6,066	6,795
Total cost of revenues		10,126	6,146	7,033
GROSS PROFIT		12,538	11,989	11,029
OPERATING EXPENSES:				
Research and development		4,186	3,747	3,417
Selling and marketing		1,225	1,268	1,250
General and administrative		2,087	1,624	1,676
Total operating expenses		7,498	6,639	6,343
OPERATING INCOME		5,040	5,350	4,686
GAIN ON DISPOSAL OF A SUBSIDIARY		-	-	893
FINANCIAL INCOME, net	10b	483	222	630
INCOME BEFORE TAXES ON INCOME		5,523	5,572	6,209
TAXES ON INCOME	8	458	438	597
NET INCOME		$ 5,065	$ 5,134	$ 5,612
EARNINGS PER SHARE - in U.S. dollars:	10c			
Basic		$ 0.26	$ 0.27	$ 0.29
Diluted		$ 0.25	$ 0.27	$ 0.29
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN COMPUTATION OF EARNINGS PER SHARE – in thousands	10c			
Basic		19,746	19,344	19,292
Diluted		19,962	19,561	19,559

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

MIND C.T.I. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
NET INCOME	$ 5,065	$ 5,134	$ 5,612
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) from available-for-sale securities	-	(73)	63
Translation adjustments	(7)	-	-
Total other comprehensive income (loss)	(7)	(73)	63
TOTAL COMPREHENSIVE INCOME	$ 5,058	$ 5,061	$ 5,675

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

MIND C.T.I. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital						
	Number of shares outstanding	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Treasury shares	Total
	In thousands	U.S. dollars in thousands					
BALANCE AS OF JANUARY 1, 2017	19,261	$ 54	$ 25,998	$ (867)	$ (2,293)	$ (1,607)	$ 21,285
CHANGES DURING 2017:							
Comprehensive income	-	-	-	63	5,612	-	5,675
Dividend paid (Note 7c)	-	-	-	-	(6,173)	-	(6,173)
Employees share based compensation expenses	-	-	182	-	-	-	182
Exercise of options issued to employees from treasury shares	46	-	-	-	-	53	53
BALANCE AS OF DECEMBER 31, 2017	19,307	54	26,180	(804)	(2,854)	(1,554)	21,022
CHANGES DURING 2018:							
Comprehensive income (loss)	-	-	-	(73)	5,134	-	5,061
Dividend paid (Note 7c)	-	-	-	-	(5,799)	-	(5,799)
Employees share based compensation expenses	-	-	224	-	-	-	224
Exercise of options issued to employees from treasury shares	132	-	-	-	-	39	39
Cumulative effect of adoption of new accounting pronouncements	-	-	-	-	435	-	435
BALANCE AS OF DECEMBER 31, 2018	19,439	54	26,404	(877)	(3,084)	(1,515)	20,982
CHANGES DURING 2019:							
Comprehensive income (loss)	-	-	-	(7)	5,065	-	5,058
Dividend paid (Note 7c)	-	-	-	-	(5,061)		(5,061)
Employees share based compensation expenses	-	-	200	-	-	-	200
Shares issued in respect of acquisition of a subsidiary from treasury shares (Note 1a)	349	-	519	-	-	238	757
Exercise of options issued to employees from treasury shares	108	-	(73)	-	-	73	-
BALANCE AS OF DECEMBER 31, 2019	19,896	$54	$27,050	$ (884)	$ (3,080)	$ (1,204)	$ 21,936

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

MIND C.T.I. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 5,065	$ 5,134	$ 5,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	151	84	104
Deferred income taxes, net	(2)	(2)	63
Accrued severance pay	111	113	(145)
Unrealized loss (gain) from marketable securities	(93)	78	30
Realized loss (gain) on sale of marketable securities, net	(24)	(32)	25
Employees share-based compensation	200	224	182
Gain on disposal of subsidiary	-	-	(893)
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable:			
Trade	805	(750)	(141)
Other	187	350	(680)
Decrease (increase) in prepaid expenses	(15)	138	(28)
Decrease in inventories	-	-	1
Increase (decrease) in accounts payable and accruals:			
Trade	138	34	62
Other	20	664	(396)
Change in operation lease liability	(15)	-	-
Increase (decrease) in deferred revenues	153	(1,569)	(1,050)
Net cash provided by operating activities	6,681	4,466	2,746
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of (investment in) marketable securities, net	2,529	1,846	(798)
Acquisition of subsidiaries	(2,310)	-	-
Purchase of property and equipment	(52)	(46)	(71)
Severance pay funds	(139)	(105)	93
Proceeds from (investment in) short-term bank deposits	2,017	(2,612)	(1,170)
Proceeds from sale of subsidiary	-	-	1,169
Net cash provided by (used in) investing activities	2,045	(917)	(777)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Employee stock options exercised and paid	-	39	53
Dividend paid	(5,061)	(5,799)	(6,173)
Net cash used in financing activities	(5,061)	(5,760)	(6,120)
Translation adjustments on cash and cash equivilents	11	-	-
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	3,676	(2,211)	(4,151)
BALANCE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	2,803	5,014	9,165
BALANCE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 6,479	$ 2,803*	$ 5,014
SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NON-CASH ACTIVITIES:			
Taxes paid (refunded)	$ 12	$ (19)	$ 935
Shares issued in respect of acquisition of a subsidiary from treasury shares	$ 757	$-	$-

* Total cash and cash equivalents of $2,739 and restricted cash of $64 that included in other receivables.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

a. General:

1)Nature of operations:

MIND C.T.I. Ltd. (the "Company") is an Israeli company which, together with its subsidiaries, provides integrated products and services. The Company designs, develops, markets, supports, implements and operates billing and customer care systems, including consulting and managed services, primarily to wireless, wireline, next-generation service providers throughout the world. The Company also provides a call management system used by enterprises for call accounting, traffic analysis, and fraud detection.

Following the acquisitions completed during the year ended December 31, 2019 (see (2) below), the Company, through its new subsidiaries, also provides enterprise messaging, communication and payment solutions.

The Company has wholly-owned subsidiaries in the United States ("MIND Software Inc."), Romania ("MIND Software Srl"), U.K. ("MIND Software Limited") and Germany ("MIND CTI GmbH", Message Mobile GmbH and GTX Messaging GmbH).

2)Acquisitions:

Acquisition of Message Mobile GmbH ("Message Mobile")

On March 25, 2019, the Company acquired 100% of the outstanding shares of a German based company, Message Mobile, for a total consideration of approximately $3.0 million, $2.25 million was paid in cash and approximately $0.75 million was paid in shares. Message Mobile is a leading provider of enterprise messaging, communication and payment solutions.

The acquisition was accounted for as a business combination. This method requires, among other things, that assets acquired, and liabilities assumed in a business combination will be recognized at their fair values as of the acquisition date.

The Company recorded core technology, customer relationships and goodwill in an amount of approximately $0.3 million; $0.55 million and $2.2 million, respectively. The estimated useful life of the core technology and customer relationships are 10.75 years and 5.75 years, respectively.

The results of Message Mobile's operations have been included in the consolidated financial statements commencing the second quarter of 2019.

Acquisition of GTX Messaging GmbH ("GTX")

On September 25, 2019, the Company acquired 100% of the outstanding shares of a German based company, GTX, for a total consideration of EUR 250 thousand in cash (approximately $273 thousand). GTX is a provider of enterprise messaging communication.

The acquisition was accounted for as a business combination, therefore the Company recorded goodwill in an amount of approximately $0.2 million.

The results of GTX operations have been included in the consolidated financial statements commencing the fourth quarter of 2019.

3)Accounting principles:

The consolidated financial statements were prepared in accordance with the United States Generally Accepted Accounting Principles ("GAAP").

4)Use of estimates in preparation of financial statements:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates. The most significant estimates with regard to the Company`s consolidated financial statements relate to amortization of intangible assets and the impairment of goodwill.

5)Functional currency:

The currency of the primary economic environment in which the operations of the Company and certain subsidiaries are conducted is the U.S. dollar ("dollar" or "$"). Most of the Company's revenues are derived from sales outside of Israel, which are denominated primarily in dollars. In addition, the majority of the Company's cash reserves and investments are denominated in dollars. Thus, the functional currency of the Company and certain subsidiaries is the U.S. dollar ("dollar").

The Company and certain subsidiaries transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters". All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of income as financial income or expenses, as appropriate.

For those subsidiaries whose functional currency has been determined to be a non-dollar currency, assets and liabilities are translated at year-end exchange rates and statement of operation's items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

b. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries.

Inter-company balances and transactions have been eliminated in consolidation. Profits from inter-company sales, not yet realized outside the Company and its subsidiaries, have also been eliminated.

c. Business combination:

The Company includes the results of operations of the businesses that are acquired as of the acquisition date. The Company allocates the purchase price of acquisitions to the assets acquired and liabilities assumed, based on the estimated fair values. The excess of the purchase price over the fair values of the identifiable assets and liabilities is recorded as goodwill. Acquisition related costs are recognized separately from the business combination and are expensed as incurred.

d. Comprehensive income (loss):

The purpose of reporting comprehensive income (loss) is to report a measure of all changes in equity of an entity that result from recognized transactions and other economic events of the period resulting from transactions from non-owner sources.

e. Segment reporting:

The chief operating decision maker (the "CODM") of the Company is the President and Chief Executive Officer. The CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

In previous reporting periods (until the year ended on December 31, 2018), the Company operated in one reportable segment. Following the acquisitions completed during the year ended December 31, 2019 (see a(2) above), management has determined that the Company operates in two reportable segments commencing from the date of acquisitions (see Note 11).

f. Cash equivalents:

The Company and its subsidiaries consider all highly liquid investments, which include short-term bank deposits (up to three months from original date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

g. Fair value of financial instruments:

The Company records its financial assets and liabilities at fair value. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company recognizes transfers among Level 1, Level 2 and Level 3 classifications as of the actual date of the events or change in circumstances that caused the transfers.

The Company's financial instruments, including cash equivalents, short-term and long-term bank deposits, accounts receivable, accounts payable and accrued liabilities have carrying amounts which approximate fair value due to the short-term maturity of these instruments.

h. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. These deposits are presented at cost and earn interest at market rates.

I . Marketable securities:

Marketable securities are classified as “financial assets held at fair value through profit or loss” when held for trading or are designated upon initial recognition as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are shown at fair value. Any gain or loss arising from changes in fair value, including those originating from changes in exchange rates is recognized in profit or loss in the period in which the change occurred. Net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale investments are classified within short-term investments, or long-term investments, based on the remaining maturity of the investment, and are reported at fair value, with unrealized gains and losses, net of tax, presented as a separate component of shareholders’ equity within accumulated other comprehensive income. All realized gains and losses and unrealized losses resulting from declines in fair value that are other-than-temporary are recorded in financial expenses, net in the period of occurrence. The Company uses the specific identification method to determine the realized gains and losses on investments. For all investments in marketable securities, the Company assesses whether the impairment is other-than-temporary. If the fair value of a security is less than its amortized cost basis, an impairment is considered other-than-temporary if (i) the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its entire amortized cost basis, or (ii) the Company does not expect to recover the entire amortized cost of the security. If an impairment is considered other-than-temporary based on condition (i), the entire difference between the amortized cost and the fair value of the security is recognized in earnings. If an impairment is considered other-than-temporary based on condition (ii), the amount representing credit losses, defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the security, will be recognized in earnings, and the amount relating to all other factors will be recognized in other comprehensive income or loss. The Company evaluates both qualitative and quantitative factors such as duration and severity of the unrealized losses, credit ratings, default and loss rates of the underlying collateral, structure and credit enhancements to determine if a credit loss may exist. See also Note 2.

j. Inventories:

Inventories are valued at the lower of cost or market value. Cost is determined by the “first-in, first-out” method. Most of the inventories consist of acquired hardware.

k. Long-term bank deposits:

Long-term bank deposits are deposits with maturities of more than one year. These deposits are presented at cost and earn interest at market rates.

l. Leases:

Effective January 1, 2019, the Company adopted ASC 842, "Leases". In accordance with ASC 842, the Company first determines if an arrangement contains a lease and the classification of that lease, if applicable, at inception. ASC 842 requires the recognition of right-of-use assets and lease liabilities for the Company's operating leases.

The Company adopted ASC 842 using a modified retrospective transition method. Consequently, periods prior to January 1, 2019 were not restated.

The Company elected to adopt the package of practical expedients permitted under ASC 842. Therefore, the Company is not required to reassess: (i) whether any expired or existing contracts are or contain leases; (ii) the classification of any expired or existing leases; and (iii) initial direct costs for any existing leases.

As a result of adopting ASC 842, the Company recognized right-of-use assets and corresponding liabilities on its consolidated balance sheets, with no material impact to its consolidated statements of operations or consolidated statements of cash flows (see Note 4).

m. Property and equipment:

These assets are stated at cost, less accumulated depreciation and amortization.

The assets are depreciated by the straight-line method, on basis of their estimated useful life.

Annual rates of depreciation are as follows:

	%
Computers and electronic equipment	15-33 (mainly 33)
Office and furniture equipment	6-7
Motor vehicles	15

Leasehold improvements are amortized by the straight-line method over the term of the lease, which is shorter than the estimated useful life of the improvements.

n. Intangible assets:

Intangible assets with definite lives are amortized over their estimated useful lives using the straight-line method, at the following annual periods ranges:

	Years
Core technology	10.75
Customer relationships	5.75

o. Goodwill:

Goodwill reflects the excess of the purchase price of subsidiaries acquired over the fair value of net assets acquired. Under ASC 350, "Intangibles – Goodwill and Others", goodwill is not amortized but rather tested for impairment at least annually.

Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required.

Alternatively, the Company may elect to proceed directly to the first step of the two-step impairment test and bypass the qualitative assessment. The first step of the impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary.

If, however, the fair value of the reporting unit is less than book value, the carrying amount of the goodwill is compared to its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

The Company performed the annual impairment tests during the third quarter of 2019, 2018 and 2017 and did not identify any indication for impairment losses (see Note 5b).

p. Income taxes:

The Company accounts for income taxes, in accordance with the provisions of ASC 740, “Income Taxes”, under the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities at enacted tax rates in effect in the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts expected to be realized.

Deferred tax liabilities and assets are classified as non-current.

For uncertain tax positions, the Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate resolution. The Company’s policy is to include interest and penalties related to unrecognized tax benefits within income tax expenses.

q. Revenue recognition:

The Company’s revenues consist of revenues generated from software licensing, sales of professional services including integration and implementation, sales of third-party hardware and software, maintenance services, managed services, mobile messaging services and training.

The Company adopted ASC 606, “Revenue from Contracts with Customers”, on January 1, 2018 using the modified retrospective approach for all contracts not completed as of the date of adoption. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with ASC 605, “Revenue Recognition”. The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company’s software licenses, maintenance and services. ASC 606 requires an entity to evaluate revenue recognition by identifying a contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation.

The Company recorded an increase to accumulated deficit of $435 thousand on January 1, 2018 due to the cumulative effect of the initial adoption of ASC 606.

Under ASC 606, revenue is measured as the amount of consideration the Company expects to be entitled to, in exchange for transferring products or providing services to its customers and is recognized when performance obligations under the terms of contracts with the Company’s customers are satisfied. ASC 606 prescribes a five-step model for recognizing revenue from contracts with customers: (i) identify contract(s) with the customer; (ii) identify the separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the separate performance obligations in the contract; and (v) recognize revenue when (or as) each performance obligation is satisfied.

As of December 31, 2019, the aggregate amount of the remaining performance obligations was approximately $11.3 million. The Company expects to recognize the majority of the revenue of remaining performance obligation over the next 12 months.

The Company applies the provisions of ASC 606, as follows:

i) *Licenses*

Revenue from perpetual licenses is classified as software license revenue. Software license revenue is recognized up front upon delivery of the licensed product and the utility that enables the customer to access authorization keys, provided that a signed contract has been received.

ii) *Services*

Revenue from training, support and other services is recognized as the services are performed. For contracts in which the service consists of a single performance obligation, such as providing a training class to a customer, the Company recognizes revenue upon completion of the performance obligation. For service contracts that are longer in duration and often include multiple performance obligations (for example, both training and consulting), the Company measures the progress toward completion of the obligations and recognizes revenue accordingly. In measuring progress towards the completion of performance obligations, the Company typically utilizes output-based estimates for services with contractual billing arrangements that are not based on time and materials, and estimates output based on the total tasks completed as compared to the total tasks required for each work contract. Input-based estimates are utilized for services that involve general consultations with contractual billing arrangements based on time and materials, utilizing direct labor as the input measure.

Contracts may include a combination of the Company’s various products and services offerings, software, consulting services, and maintenance. For contracts with multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. Significant judgment may be required to identify distinct obligations within a contract.

The total transaction price is allocated to the individual performance obligations based on the ratio of the relative established standalone selling prices (SSP), or the Company's best estimate of SSP, of each distinct product or service in the contract. Revenue is then recognized for each distinct performance obligation.

iii) *Managed Services*

Revenues from managed services include a monthly fee for services and a right to access the Company's software and are recorded as service revenues. The Company does not provide the customer with the contractual right to take possession of the software at any time during the period under these contracts. The monthly fee is based mainly on the number of subscribers or customer's business volume and the contracts include a minimum monthly charge. These revenues are recognized on a monthly basis when those services are satisfied.

iv) *Mobile Messaging Transactions*

Certain of the Company's subsidiaries provide mobile messaging services, via text messages (SMS) and IP (Internet Protocol) messaging channels. Revenues from mobile messaging services are recognized when the messaging service has been rendered, i.e., the messages are delivered to recipient. The revenue amount is based on the price specified in the contract, net of discounts and value added taxes.

v) *Mobile Payments Services*

One of the Company's subsidiaries offers payment solutions where the customer can get their consumers (the end users) to pay for services by charging their mobile phone account. For these services the Company is entitled to a share of the processed transaction/ payment. Consequently, only the Company's share of the processed transactions are recognized as revenues.

r. Research and development expenses:

Pursuant to ASC 985-20, "Software - Costs of Software to be Sold, Leased, or Marketed", development costs related to software products are expensed as incurred until the "technological feasibility" of the product has been established. Because of the relatively short time period between "technological feasibility" and product release, and the insignificant amount of costs incurred during such period, no software development costs have been capitalized.

s. Allowance for doubtful accounts:

The allowance is determined for specific debts doubtful of collection.

t. Share-based compensation:

The Company accounts for share-based compensation in accordance with ASC 718, “Compensation - Stock Compensation”, which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company’s consolidated statements of operations.

The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule using the straight-line method over the requisite service period for the entire award, net of estimated forfeitures.

u. Earnings per share (“EPS”):

Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the year, net of treasury shares.

Diluted EPS reflects the increase in the weighted average number of shares outstanding that would result from the assumed exercise of employee stock options, calculated using the treasury stock method.

v. Treasury shares:

Treasury shares are presented as a reduction of shareholders’ equity, at their cost to the Company, under “Treasury shares”.

w. Concentration of credit risks:

Most of the cash and cash equivalents of the Company and its subsidiaries are deposited with Israeli, European and U.S. banks. The Company is not aware of any specific credit risks in respect of these banks.

The Company’s revenues have been generated from a large number of customers. Consequently, the exposure to credit risks relating to trade receivables is limited. The Company performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for doubtful accounts.

x. Recently issued accounting pronouncements:

In August 2018, the Financial Accounting Standards Board (the “FASB”) issued new guidance related to the disclosure requirements for fair value measurements. This guidance modifies the disclosure requirements for fair value measurements by removing, modifying, and/or adding certain disclosures and is effective for the first interim period within annual fiscal years beginning after December 15, 2019 (fiscal year 2020 for the Company). Early adoption related to modifying existing disclosures is permitted while delaying adoption of the additional disclosures until the effective date. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued new guidance related to the disclosure requirements for defined benefit pension or other postretirement plans. This guidance modifies the disclosure requirements for defined benefit plans by removing, modifying, and/or adding certain disclosures and is effective for fiscal years beginning after December 15, 2020 (fiscal year 2021 for the Company) with early adoption permitted. These amendments must be applied on a retrospective basis for all periods presented. The Company is currently evaluating how this guidance will impact the disclosures related to its defined benefit plans.

NOTE 2 - MARKETABLE SECURITIES

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Short-term marketable securities (a):		
Municipal bond	$ 1,346	$ 3,325
Corporate bond	570	1,027
Total	$ 1,916	$ 4,352
Long-term marketable security - bond (b)	$ 129	$ 105

(a) The Company invests in highly-rated marketable securities, and its policy limits the amount of credit exposure to any one issuer. The Company's investment policy requires investments to be investment grade, rated BBB- or better, with the objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio, based on quoted prices in active markets.

(b) As of December 31, 2019 and 2018, the Company held a long-term bond which is classified as available-for-sale security and presented at fair value. The fair value of the available-for-sale security is based on quoted prices in active markets for identical instruments (Level 1 as defined under ASC 820, "Fair Value Measurement").

NOTE 3 - PROPERTY AND EQUIPMENT, NET

a. Composition of assets, grouped by major classification, is as follows:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Computers and electronic equipment	$ 1,794	$ 1,892
Office furniture and equipment	155	155
Vehicles	109	122
Leasehold improvements	22	22
	2,080	2,191
Less - accumulated depreciation and amortization	(1,913)	(2,027)
	$ 167	$ 164

b. Depreciation expenses totaled $55 thousand, $84 thousand and $104 thousand in the years ended December 31, 2019, 2018 and 2017, respectively.

Property and equipment, net - by geographical location:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Israel	$ 60	$ 76
Romania	94	88

Germany	13	-
Total	$ 167	$ 164

NOTE 4 – LEASES

The following represents the aggregate right-of-use assets and related lease liabilitiesas of December 31, 2019:

	U.S. dollars in thousands
Amounts recognized in the consolidated balance sheet as of December 31, 2019:	
Right-of-use assets, net	$ 1,290
Current liabilities	$292
Long-term liabilities	983
Total operating leased liabilities	$ 1,275

The weighted average lease term and weighted average discount rate as of December 31, 2019 were as follows:

Weighted average lease term	
Operating leases	5.2 years
Weighted average discount rate	
Operating leases	6.8%

The future cash flows related to the operating lease liabilities as of December 31, 2019 were as follows:

	U.S. dollars in thousands
Years ending December 31:	
2020	$312
2021	234
2022	234
2023	234
2024	189
Thereafter	165
Total lease payments (undiscounted)	1,368
Less – discount to net present value	(93)
Present value of lease liabilities	$ 1,275

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

a. Definite-lived other intangible assets:

	December 31, 2019
	U.S. dollars in thousands
Core technology	$ 312
Customer relationships	545
	857

Less – accumulated amortization	(96)
Other intangible assets, net	$ 761

b. **Goodwill**

	Year ended December 31, 2019		
	Billing and related services	**Messaging**	**Total**
	U.S. dollars in thousands		
Balance as of January 1, 2019	$ 5,430	$-	$ 5,430
Acquisitions	-	2,466	2,466
Functional currency translation adjustments	-	14	14
Balance as of December 31, 2019	$ 5,430	$ 2,480	$ 7,910

NOTE 6 – SEVERANCE PAY

Israeli law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The severance pay liability of the Company to its Israeli employees, based upon the number of years of service and the latest monthly salary, is partly covered by regular deposits with severance pay funds and pension funds, and by purchase of insurance policies; under labor agreements, the deposits with recognized pension funds and the insurance policies, as above, are in the employees' names and are, subject to certain limitations, the property of the employees.

The Company has entered into an agreement with some of its employees implementing Section 14 of the Israeli Severance Pay Law, 1963 and the general approval of the Minister of Labor, Social Affairs and Social Services dated June 30, 1998, issued in accordance with such Section 14. The agreement mandates that upon termination of such employees' employment, all the amounts accrued in their severance funds, pensiom funds and by the insurance policies will be released to them. The severance pay liabilities and deposits covered by these plans are not reflected in the balance sheet, as the severance pay risks have been irrevocably transferred to the severance funds, pension fumds and isnsurance companies.

The amounts accrued and the portions funded, with severance pay funds, pension funds and by the insurance policies are reflected in the financial statements as follows:

	December 31,	
	2019	**2018**
	U.S. dollars in thousands	
Accrued severance pay	$ 1,775	$ 1,517
Less - amounts funded (presented in "investment and other non-current assets")	(1,725)	(1,439)
Unfunded balance	$ 50	$ 78

The amounts of accrued severance pay as above cover the Company's severance pay liability in accordance with labor agreements in force and based on salary components which, in management's opinion, create entitlement to severance pay. The Company records the obligation as if it was payable at each balance sheet date on an undiscounted basis.

Withdrawals from the funds are generally made for the purpose of paying severance pay.

The severance pay expenses were $140 thousand, $134 thousand and $113 thousand in the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 7 - SHAREHOLDERS' EQUITY

a. Share capital:

The Company's ordinary shares are traded in the United States on the Nasdaq Global Market, under the symbol MNDO.

b. Treasury shares:

During the period between September 2008 and December 2009, the Company has purchased an aggregate amount of 3,165,092 ordinary shares for a total consideration of approximately $2.8 million. Currently, the Company does not have an active buyback plan. As of December 31, 2019, the remaining treasury shares are 1,763,684 which amounted to $1,204 thousands, after issuance of shares upon exercise of options granted to employees and issuance of shares as part of the acquisition of Message Mobile in the year ended December 31, 2019 (see Note 1a) from treasury shares in the amount of $311 thousand, $39 thousand and $53 thousand in the years ended December 31, 2019, 2018 and 2017 respectively.

c. Dividend:

Dividends paid per share in the years ended December 31, 2019, 2018 and 2017 were $0.26, $0.30 and $0.32, respectively.

The Company paid dividends to its shareholders in the amounts of $5.1 million, $5.8 million and $6.2 million during the years ended December 31, 2019, 2018 and 2017, respectively.

d. Stock option plan:

In 2011, the Board of Directors and the Company's shareholders approved a share incentive plan (the "2011 Share Incentive Plan"). Under the 2011 Share Incentive Plan, options for up to 1,800,000 ordinary shares of NIS 0.01 par value can be granted to employees, directors, consultants or contractors of the Company and its subsidiaries.

Each option can be exercised to purchase one ordinary share. Immediately upon issuance, the ordinary shares issuable upon the exercise of the options will confer on holders the same rights as the other ordinary shares.

The Board of Directors determines the exercise price and the vesting period of the options granted. The outstanding options granted under the abovementioned plan vest over 2-4 years. Options not exercised will expire five years after the day of grant.

The compensation costs charged against income for all of the Company's equity incentive plans during the years ended December 31, 2019, 2018 and 2017 were approximately $200 thousand, $224 thousand and $182 thousand, respectively.

Under Section 102 of the Israeli Income Tax Ordinance, pursuant to an election made by the Company thereunder, Israeli employees (except for employees who are deemed "Controlling Members" under the Israeli Income Tax Ordinance) are subject to a lower tax rate on capital gains accruing to them in respect of Section 102 awards. However, the Company is not allowed to claim as an expense for tax purposes the amounts credited to such employees.

1) The following is a summary of the status of the 2011 Share Incentive Plan as of December 31, 2019, 2018 and 2017, and changes during the years ended on those dates:

	Years ended December 31,					
	2019		2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Options outstanding at the beginning of year	674,200	$1.460	813,100	$ 1.490	875,500	$ 1.600
Changes during year:						
Granted (a)	156,000	$0.003	118,000	$ 0.003	90,000	$ 0.650
Exercised	(108,200)	$0.003	(131,800)	$ 0.003	(46,000)	$ 1.150
Forfeited	(90,000)	$0.003	(74,100)	$ 0.500	(78,400)	$ 1.410
Expired	(280,000)	$2.947	(51,000)	$ 2.950	(28,000)	$ 2.950
Options outstanding at the end of year	352,000	$0.23	674,200	$1.46	813,100	$ 1.490
Options exercisable at the end of year	34,000	$1.49	350,000	$2.630	303,000	$2.900
Weighted average grant date fair value of options granted during the year (b)		$1.31		$ 1.46		$ 1.30

(a) In the years ended December 31, 2019 and 2018, the options were granted with an exercise price equal to par value of NIS 0.01.

In the year ended December 31, 2017, the options were granted with an exercise price equal to the average closing price per share of the Company's ordinary shares on the stock market during the 30-day trading period immediately preceding the date of grant of such option, or with an exercise price equal to par value of NIS 0.01.

(b) The fair value of each stock option granted is computed on the date of grant according to the Black-Scholes option pricing model with the following assumptions:

	Years ended December 31,		
	2019	2018	2017

Dividend yield	11%	11%	11%
Expected volatility*	25%	28%	35%
Average risk-free interest rate	1.86%	2.6%	1.9%
Expected average term - in years	3.88	3.88	3.88

* Volatility is based on historical volatility of the Company's share price for periods matching the expected term of the option until exercise.

As of December 31, 2019, there were approximately $408 thousand of total unrecognized compensation costs, net of expected forfeitures, related to unvested share-based compensation awards granted under the 2011 Share Incentive Plan. The costs are expected to be recognized over a weighted average period of 1.42 years.

2) The following table summarizes information about options outstanding and exercisable as of December 31, 2019:

	Options Outstanding			Options Exercisable		
Range of exercise prices	**Number outstanding at December 31, 2019**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable at December 31, 2019**	**Weighted average remaining contractual life**	**Weighted average exercise price**
		Years			**Years**	
$ 0.003	320,000	3.65	$ 0.003	14,000	2	$ 0.003
$ 2.425 – 2.688	32,000	1.9	$ 2.49	20,000	1.64	$ 2.53

The total intrinsic value of options exercised during the years ended December 31, 2019, 2018 and 2017 were approximately $115 thousand, $266 thousand and $70 thousand, respectively. As of December 31, 2019, the aggregate intrinsic value of the outstanding options is $767 thousand, and the aggregate intrinsic value of the exercisable options is $31 thousand.

NOTE 8 - TAXES ON INCOME

a. Israeli corporate tax

1) Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969:

The Company is an "Industrial Company", as defined by this law. As such, the Company is entitled to claim depreciation at increased rates for equipment used in industrial activity, as stipulated by regulations published under the Income Tax (Inflationary Adjustments) Law, 1985.

2) Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"):

On February 18, 2018, the Company received a status of "Technologic Preferred Enterprise" as defined under the Investment Law (the "Approval"). In accordance with the Approval, starting in 2017 and until 2021, income originating from granting the right of use as defined in the Approval, will be defined as Technologic Preferred Income, as defined under the Law, and will be subject to a tax rate of 7.5%.

Prior to 2017 the Company received a status of "Preferred Enterprise". A Preferred Company is an industrial company meeting certain conditions (including a minimum threshold of 25% export). The tax rate applicable to a “Preferred Enterprise” in Development Area A is 9% and the tax rate in other parts of the country is 16%. The Company is located in Development Area “A”.

Dividend distributed from income which is attributed to a “Preferred Enterprise” will be subject to withholding tax at source at the following rates: (i) Israeli resident corporations - 0%, (ii) Israeli resident individuals – 15%; (iii) non-Israeli residents - 15%, subject to a reduced tax rate under the provisions of an applicable double taxation treaty.

If only a portion of the Company’s capital investments is approved, its effective tax rate will be the result of a weighted combination of the applicable rates. The tax benefits from any certificate of approval relate only to taxable income attributable to the specific “Preferred Enterprise”. Income derived from activity that is not integral to the activity of the “Preferred Enterprise” will not enjoy tax benefits. The Company’s entitlement to the above benefits is subject to fulfillment of certain conditions under the Investment Law and related regulations.

In 2014, the Company obtained a tax ruling with respect to 2012 and future years, which provides that the portion of the income attributed to the “Preferred Enterprise” (and thereby subject to lower tax rates) will be calculated each year based on, among other things, the ratio between the number of the employees in Israel and abroad. According to the ruling, the tax rate on income in Israel in the year ended December 31, 2016 was approximately 22%.

b. Other applicable tax rates:

1) Income from other sources in Israel

In December 2016, a legislation to amend the corporate income tax law was published. The legislation determined a decrease of the corporate income tax law as of January 1, 2017 to 24% from 25% and another decrease of the corporate income tax law starting January 1, 2018 to 23%.

2) Income of non-Israeli subsidiaries

Non-Israeli subsidiaries are taxed according to tax laws in their countries of residence (30% in Germany and 16% in Romania).

c. Deferred income taxes:

1) Provided in respect of the following:

	December 31	
	2019	**2018**
	U.S. dollars in thousands	
Research and development expenses	$ 27	$ 25
Carryforward tax losses, see (2) below	950	964
Other	9	9
Less - valuation allowance, see (2) below	(950)	(964)
	$36	$ 34

Deferred income tax assets are presented in the balance sheet among non-current assets.

2) As of December 31, 2019, the carryforward tax losses are related mainly to the Company’s subsidiaries (in the U.S. and the U.K.) and amounted to approximately $4 million. The Company has

provided valuation allowance in respect of deferred tax assets resulting from carryforward tax losses of the Company's subsidiaries. Management currently believes that it is more likely than not that those deferred tax losses will not be realized in the foreseeable future.

d. Taxes on income included in the statements of operations:

1) As follows:

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Current:			
In Israel	$316	$ 396	$ 491
Outside Israel	144	44	43
	460	440	534
Deferred taxes in Israel	(2)	(2)	63
	$ 458	$ 438	$ 597

2) Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (see c. above), and the actual tax expense:

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Income before taxes on income, as reported in the statements of operations*	$5,523	$ 5,572	$ 6,209
Theoretical tax expense	1,270	1,281	1,428
Less - tax benefits arising from Technologic Preferred Enterprise status, see b. above	(651)	(772)	(1,110)
	619	509	318
Increase (decrease) in taxes resulting from permanent differences:			
Disallowable deductions	44	44	41
Changes in valuation allowance	(212)	(106)	244
Changes in taxes resulting from computation of deferred taxes at a rate which is different from the theoretical rate and other	7	(9)	(6)
Taxes on income for the reported years:	$ 458	$ 438	$ 597
* As follows:			
Taxable in Israel	$ 4,039	$ 4,751	$ 5,162
Taxable outside Israel	1,484	821	1,047
	$5,523	$ 5,572	$ 6,209

e. Tax assessments:

The Company has received final assessments from the Israeli tax authorities, through the 2013 tax year.

f. Sale of S.C. Dirot COMP S.R.L ("DIROT"):

In April 2017, the Company sold its holdings in DIROT for EUR 1,100 thousand. Following the sale, the Company recognized a capital gain, which was partially offset against carryforward capital tax losses.

NOTE 9 - SUPPLEMENTARY BALANCE SHEET INFORMATION

a. Cash, cash equivalents and bank deposits:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Cash	$ 2,681	$ 1,389
Cash eqivalents	3,798	1,350
Total cash and cash equivalents	$ 6,479	$ 2,739
Short-term bank deposits*	$ 6,795	$ 8,714
Long-term bank deposit	$ -	$ 98

* The average rate of short-term deposits is 2.42 % and 2.92%, as of December 31, 2019 and 2018, respectively.

b. Accounts receivable - other:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Government institutions	$213	$ 227
Employees	47	19
Interest receivable	70	85
Sundry	247	229
	$ 577	$ 560

c. Accounts payable and accruals - other:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Payroll and related expenses	$ 797	$ 899
Government institutions	645	218
Accrued vacation pay	91	79

Accrued expenses and sundry	515	305
	$ 2,048	$ 1,501

NOTE 10 - SELECTED STATEMENT OF OPERATIONS DATA

a. Revenues:

1) The Company's revenues derive from sale of software products and services in two operating segments. The Company has three product lines: (i) product line "A" - billing and customer care solutions for service providers; (ii) product line "B" - call accounting and call management solutions for enterprises; and (iii) product line "C" – mobile messaging, communication and payment solutions (as from the year ended December 31, 2019).

The following table sets forth the revenues classified by product lines:

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Product line "A"	$ 13,591	$ 14,923	$ 14,722
Product line "B"	2,956	3,212	3,340
Product line "C"	6,117	-	-
	$ 22,664	$ 18,135	$ 18,062

2) The following table sets forth the geographical revenues classified by geographical location of the customers:

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
The Americas	$ 12,030	$ 13,130	$ 12,995
Europe	8,839	3,328	3,181
Israel	1,272	884	977
Other	523	793	909
	$ 22,664	$ 18,135	$ 18,062

b. Financial income (expenses), net:

	Years ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Income:			
Interest on bank deposits and short-term investments	$ 219	$ 208	$ 75
Non-dollar currency gains, net	89	-	415
Income from marketable securities	165	77	136
Realized gain from sale of available-for-sale securities	24	28	-

Interest on available-for-sale securities	-	27	42
	497	340	668
Expenses:			
Non-dollar currency losses, net	-	(107)	-
Realized loss from sale of available-for-sale securities	-	-	(24)
Bank commissions and charges	(14)	(11)	(14)
	(14)	(118)	(38)
	$ 483	$ 222	$ 630

c. Earnings per ordinary share ("EPS"):

The following table sets forth the computation of the Company's basic and diluted EPS:

	Years ended December 31,		
	2019	2018	2017
	In thousands		
Weighted average number of shares issued and outstanding - used in computation of basic EPS	19,746	19,344	19,292
Add - incremental shares from assumed exercise of options	216	217	267
Weighted average number of shares used in computation of diluted EPS	19,962	19,561	19,559

In the years ended December 31, 2019, 2018 and 2017, options that their effect was anti-dilutive were not taken into account in computing the diluted EPS.

The number of options that could potentially dilute EPS in the future and were not included in the computation of diluted EPS is 32,000 options, 334,200 options and 354,000 options, for the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 11 - REPORTABLE SEGMENTS

The Company applies ASC topic 280, "Segment Reporting". ASC 280 establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The CODM of the Company is the President and Chief Executive Officer. The CODM assesses the performance of each segment and allocates resources to those segments based on net revenues and operating results and does not evaluate our segments using discrete asset information.

In previous reporting periods (until December 31, 2018), the Company operated in one reportable segment. Following the acquisitions completed during 2019 (see Note 1a(2)), management has determined that the Company operates in two reportable segments commencing from the date of acquisitions.

	Year ended December 31, 2019		
	Billing and Related Services	Messaging*	Total
	U.S. dollars in thousands		
Revenues	$ 16,547	$ 6,117	$ 22,664
Operating income	$4,254	$ 786	$ 5,040

*The results of operations reported for the year ended December 31, 2019, includes the results of operations commencing the second quarter of 2019 (see Note 1a(2)).

NOTE 12 - RELATED PARTIES

a. Balances

As of December 31, 2019 and 2018, the Company had an accrual in the amount of $240 thousand, pursuant to the compensation policy regarding the President and Chief Executive Officer annual bonus.

b. Transactions

During the year ended December 31, 2019, 2018 and 2017, the Company recorded salary expenses, cash bonus and directors' fee to its related parties in the amount of $ 578 thousand, $557 thousand and $558 thousand, respectively.

NOTE 13- SUBSEQUENT EVENT

On March 11, 2020, the Company declared a dividend to its shareholders in the amount of approximately $4.8 million.