

ROBOGROUP TEK LTD
Form 6-K
April 01, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of March, 2003

ROBOGROUP T.E.K. LTD.

(Name of Registrant)

Rechov Hamelacha 13, Afek Industrial Estate, Rosh HaAyin 48091 Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☐

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROBOGROUP T.E.K. LTD.
(Registrant)

By: /s/ Rafael Aravot

Rafael Aravot

Date: April 1, 2003

PERIODIC REPORT

FOR THE YEAR 2002

(As required in accordance with the Israel Securities Act, 1968)

PERIODIC REPORT FOR THE YEAR 2002

Name of Company: RoboGroup T.E.K. Ltd.

Company Reg. No.: 52-003498-4

Address: 13 Hamelacha Street, Afeq Industrial Park, Rosh Ha'Ayin 48091, Israel
(Regulation 25A)

Tel: 03-9004111
(Regulation 25A)

Fax: 03-9030994
(Regulation 25A)

Balance Sheet Date: December 30, 2002
(Regulation 9)

Report Date: March 30, 2003

REGULATION 9: FINANCIAL REPORTS

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The Annual Financial Statements of the Company dated December 31, 2002 are attached to the periodic report.

REGULATION 10: DIRECTORS REPORT ON THE STATE OF THE COMPANY

The Directors Report is attached to the Financial Statements.

REGULATION 10A: SUMMARY OF THE QUARTERLY PROFIT AND LOSS STATEMENTS

Summary of the Profit and Loss Statements of the Company are attached to the Directors Report.

REGULATION 10C: USE OF THE PROCEEDS OF THE SECURITY ISSUE WITH RESPECT TO THE PROSPECTUS

None

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REGULATION 11: LIST OF INVESTMENTS IN SUBSIDIARIES AND IN RELATED COMPANIES AS OF BALANCE SHEET DATA

COMPANY NAME *	TYPE OF SHARE	NO. OF SHARES	TOTAL AMOUNT OF PAR VALUE	COST ADJUSTED AS OF 31.12.02 NIS (K)	BALANCE SHEET VALUE ADJUSTED AS OF 31.12.02 NIS (K)	% HOLDING IN CAPITAL, % OF VOTING POWER AND RIGHT TO APPOINT DIRECTORS	BALANCE OF LOANS TO SUBSIDIARIES AS OF 31.12.02 NIS (K) (**)
Intelitek Inc.	Reg.US\$ 100	500	US\$ 50,000	12,522	10,912	100%	4,622
Eshed Robotec B.V	Reg.HFL 1000	40	HFL 40,000	109	(617)	100%	-
Robotec Technologies Ltd.	Reg.NIS 1.00	(1)101	NIS 101	1	(3,480)	100%	3,805
Robotec Industries Ltd.	Reg.NIS 1.00	(2)99	NIS 99	-	-	100%	-
Computras Computerized Training Systems Ltd.	Reg.NIS 0.001 Voting NIS 0.001 Def.NIS 0.001	12,600 200 4,375	NIS 12.6 NIS 0.2 NIS 4.375	1	(540)	100%	-
Computras Marketing Training Systems (1988) Ltd.	Reg.NIS 1.00 Mgmt.NIS 1.00	100 100	NIS 100 NIS 100	1,018	(305)	100%	-
Yaskawa Eshed Technology Ltd.	Reg.NIS 1.00	3,000	NIS 3,000	2,912	10,316	50%	-
MemCall Ltd.	Reg.NIS 1.00	200	NIS 200	-	-	82%	6,158
MemCall LLC	Participation units	1,248,000	-	82	82	82%	-
MemCall Inc.	Reg.US\$ 0.01	10,000	US\$ 100	-	-	82%	-

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COMPANY NAME *	TYPE OF SHARE	NO. OF SHARES	TOTAL AMOUNT OF PAR VALUE	COST ADJUSTED AS OF 31.12.02 NIS (K)	BALANCE SHEET VALUE ADJUSTED AS OF 31.12.02 NIS (K)	% HOLDING IN CAPITAL, % OF VOTING POWER AND RIGHT TO APPOINT DIRECTORS	BALANCE OF LOANS TO SUBSIDIARIES AS OF 31.12.02 NIS (K) (**)
Sim-Lev Ltd.	Mgmt.NIS 10	8	NIS 80	27	(183)	100%	-
	Reg.NIS 10	169	NIS 1,690				

(1) One share is held in trust.

(2) One additional share held by Robotec Technologies Ltd.

(*) All the shares of the subsidiary companies are not traded on a Stock Exchange.

(**) The loans granted to the subsidiaries by the Company are as follows:

a. In May 2002, the Company's Board of Directors decided to convert loans given by the Company to its subsidiary Intelitek Inc. (the balance of which was, at that time, approximately US\$ 2.5 million) into share capital in Intelitek.

b. A loan to Robotec Technologies Ltd., linked to the consumer price index, or carrying the interest rate charged by Bank Mercantile Discount Ltd. on on-call loans whichever is higher.

c. A loan to Eshed Robotec B.V., linked to the Dutch Florin or to the consumer price index whichever is higher..

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REGULATION 12: CHANGES IN INVESTMENTS IN SUBSIDIARIES AND RELATED COMPANIES DURING THE PERIOD OF THE REPORT

DATE OF CHANGE	ESSENCE OF THE CHANGE	COMPANY NAME	TYPE OF SHARES	TOTAL AMOUNT OF PAR VALUE	NOMINAL COST (NIS) (K)	ADJUSTED COST (NIS) (K)
18.3.2003	Transfer of shares	MemCall Inc.	Reg. US\$ 0.01	US\$ 100		
	Dissolution of company	Edusol-it Educational Solutions Pte Ltd.	Reg. US\$ 1	US\$ 2		

REGULATION 13: INCOME OF SUBSIDIARIES AND RELATED COMPANIES AND INCOME OF THE CORPORATION RECEIVED FROM THEM TO BALANCE SHEET DATE

COMPANY NAME	PROFIT (LOSS) BEFORE TAX (NIS) (K)	PROFIT (LOSS) AFTER TAX (NIS) (K)	THE COMPANY'S SHARE IN PROFIT (LOSS) AFTER TAX (NIS) (K)	DIVIDENDS UNTIL 31.12.02	MGMT FEES ADJUSTED UNTIL 31.12.02 (NIS) (K)	INTEREST ADJUSTED UNTIL 31.12.02 (NIS)	INTEREST, DIVIDENDS, MGMT FEES TILL 26.3.03
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Intelitek Inc.	219	219	377	-	-	-	-
Eshed Robotec B.V	(125)	(125)	(125)	-	-	328	-
Robotec Technologies Ltd.	(15)	(86)	(229)	-	-	-	-
Robotec Industries Ltd.	-	-	-	-	-	-	-
Computras Computerized Training Systems Ltd.	295	295	362	-	-	-	-
Computras Marketing Training Systems (1988) Ltd.	-	-	-	-	-	-	-
Yaskawa Eshed Technology Ltd.	3,927	2,927	3,595	-	338	-	-
MemCall Ltd.	-	-	-	-	-	514	-
MemCall LLC	(6,590)	(6,590)	(6,590)	-	-	-	-
MemCall Inc.	-	-	-	-	-	-	-
Sim-Lev Ltd.	-	-	-	-	-	-	-
			3				

REGULATION 14: LIST OF LOAN BALANCES GIVEN TO DATE OF BALANCE SHEET, IF PROVIDING LOANS IS ONE OF THE MAIN FUNCTIONS OF THE CORPORATION

Provision of loans is not one of the Company's main functions.

REGULATION 20: TRADING ON THE TEL AVIV STOCK EXCHANGE - SECURITIES REGISTERED FOR TRADE - TIMES AND REASONS FOR HALTING TRADE

In the year of the report 3,000 ordinary shares, par value NIS 0.5 were registered for trading, following the exercise of options that were issued to employees of the Company and its subsidiaries pursuant to the Company's employee stock option plan of 1998.

In December 2002, the Tel Aviv Stock Exchange Ltd. approved in principle the listing for trade of 1,270,000 Ordinary Shares of the Company issuable upon the exercise of (unregistered) options. The options were allotted in March 2003 to directors of the Company and to a trustee for directors and employees of the Company and its subsidiaries.

During the reported period there has been no halt in trading on the Tel Aviv Stock Exchange.

REGULATION 21: PAYMENT TO SENIOR OFFICERS (nis k)

1.	Chief Executive Officer	764
2.	Managing Director	934
3.	Managing Director	874
4.	General Manager of a business sector	513
5.	General Manager of a business sector	540

REGULATION 22: SALARIES AND BENEFITS

The salaries of the directors and the expenses associated with them (which do not exceed the normal) which were paid or which incurred a liability to pay for the year 2002 (adjusted) were NIS 3,645 thousand.

REGULATION 24: SHARES AND CONVERTIBLE SECURITIES HELD BY INTERESTED PARTIES IN THE CORPORATION, IN THE SUBSIDIARIES, OR IN RELATED COMPANIES CLOSE TO THE DATE OF THE REPORT

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INTERESTED PARTY	I.D. NO. - COMPANY REG. NO.	TYPE OF SECURITY	SECURITY NO. IN THE TEL AVIV STOCK EXCHANGE(2)	NO. OF SHARES HELD ON MARCH 30, 2003	% HELD IN CAPITAL, VOTING AND RIGHT TO APPOINT DIRECTORS
Arie Kraus (4)(5)	053919072	Reg. NIS 0.5	0266015	762,177(6)	6.79%
Noam Kra-Oz(4)(5)	052240322	Reg. NIS 0.5	0266015	706,478(6)	6.29%
Gideon Missulawin	05924886(3)	Reg. NIS 0.5	0266015	745,287	6.64%
Rafael Aravot(5)	052294170	Reg. NIS 0.5	0266015	878,042	7.82%
Menachem Zenziper(5)	007517949	Reg. NIS 0.5	0266015	1,232,960	10.98%
Haim Schleifer	052052040	Reg. NIS 0.5	0266015	701,412	6.24%
David Israel Rosen(5)	101939594	Reg. NIS 0.5	0266015	812,500	7.23%

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(2) A part of the shares held by interested parties are traded over the counter in the United States.

(3) Passport number.

(4) Arie Kraus and Noam Kra-Oz are brothers.

(5) Holdings together with family member.

(6) Arie Kraus and Noam Kra-oz hold together 3,273 shares.

Remarks:

- On March 13, 2003, 1,270,000 registered options were allotted to directors and to the trustee for directors and employees of the Company and its subsidiaries. The options may be exercised into 1,270,000 ordinary registered shares of par value NIS 0.5 of the Company in consideration of a cash payment in NIS equal to US\$ 0.91 per option, and in accordance with the terms of and on the dates determined in the stock option plan for employees and directors. The plan was approved by the Company's general shareholders meeting on December 17, 2002. The directors of the Company hold options under the said plans as follows:

Director's name	Number of options	Holdings after full dilution*	Percentage of holdings after full dilution*
Rafael Aravot	90,000	968,042	7.69%
Haim Schleifer	90,000	791,412	6.29%
Noam Kra-Oz	90,000	796,478	6.33%
Gideon Missulawin	50,000	795,287	6.32%
Menachem Zenziper	50,000	1,282,960	10.19%
Arie Kraus	50,000	812,177	6.45%
Tami Gottlieb	50,000	50,000	0.39%
Amiram Dagan	50,000	50,000	0.39%
Alex Tal	50,000	50,000	0.39%

* In this respect, full dilution means assuming that 75,400 options which were allotted to a trustee under the 1998 stock option plan for employees of the Company and its subsidiaries, that have not been exercised as of the date of this report; 12,500 options allotted in 2001 to an interested party in the company; and 1,270,000 options allotted pursuant to the 2003 stock option plan for directors and employees, are all exercised. 2. The aforesaid interested parties do not hold shares and/or convertible securities of the Company's subsidiaries.

3. The Company holds 494,321 of its own shares.

REGULATION 26: THE COMPANY DIRECTORS

1.

Remarks:

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1. Name: RAFAEL ARAVOT - I.D. No. 052294170
2. Date of Birth: 1954
3. Address: 9, Oranim Street, Ramat Ilan, Givat Shmuel
4. Citizenship: Israeli
5. Membership in Directors Committees: Financial committee and MemCall committee.
6. Outside Director: No
7. Whether employed by the Company, subsidiaries, related companies or interested party: Yes
8. Date appointed to Board of Directors: 9.22.1982
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate in Mechanical Engineering. Master's in Business Administration
Managing Director of the Company. Starting February 2001, Chief Executive Officer of the Company and Chairman of the Company's Board of Directors.
Director of Yaskawa Eshed Technology Ltd; Director of MemCall Ltd. and MemCall LLC.
10. Family relationship to an interested party in the Company: No

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- 2.
1. Name: ACHINOAM KRA-OZ I.D. No. 052240322
2. Date of Birth: 1954
3. Address: 80 Herzl Street, Raanana
4. Citizenship: Israeli
5. Membership in Directors Committees: No
6. Outside Director : No
7. Whether employed by the Company, subsidiaries, related companies or interested party: Yes
8. Date appointed to Directorship: 12.12.83
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate in Pharmacy. Joint Managing Director - Marketing of the Company. Starting February 2001 a Managing Director of the Company; Director of Intelitek Inc., Director of Yaskawa Eshed Technology Ltd, Director of Computras Computerized Training Systems Ltd., and Computras Marketing Training Systems (1988) Ltd., Director of Robotec Technologies Ltd., Director of Eshed
10. Robotec B.V.
Family relationship to an interested party in the Company: Yes - brother of Arie Kraus

3.

Remarks:

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1. Name: HAIM SCHLEIFER - I.D. No. 052052040
2. Date of Birth: 1954
3. Address: 40 Ha-histadrut Street, Herzlia
4. Citizenship: Israeli
5. Membership in Directors Committees: Member of the MemCall committee.
6. Outside Director : No
7. Whether employed by the Company, subsidiaries, related companies or interested party: Yes
8. Date appointed to Directorship: 9.22.1982
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate in Electronics Engineering. Master's Degree in Business Administration.
Joint Managing Director R&D and Pedagogical Dept of the Company, starting February 2001
Managing Director of the Company, Director of Eshed Robotec B.V., Director of MemCall Ltd. and of MemCall LLC.
10. Family relationship to an interested party in the Company: No

4.

1. Name: GIDEON MISSULAWIN Passport No. 405924886
2. Date of Birth: 1940
3. Address: 20A Shpinoza Street, Ra'anana
4. Citizenship: South African
5. Membership in Directors Committees: Member of the financial committee
6. Outside Director: No
7. Whether employed by the Company, subsidiaries, related companies or interested party: No
8. Date appointed to Directorship: 12.12.1983
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate in Chemical Engineering, Master's Degree in Business Administration.
Until February 2001 Active Chairman of the Company's Board, Director in Vernon Investments Company Ltd., Director in NewCorp. Ltd. and a number of foreign companies, mainly in South Africa, some of which are family companies
10. Family relationship to an interested party in the Company: No

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5.

1. Name: MENACHEM ZENZIPER I.D. No. 007517949
2. Date of Birth: 1944

Remarks:

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3. Address: 40 Yehuda Hanassi Street, Tel Aviv
4. Citizenship: Israeli
5. Membership in Directors Committees: Member of the financial committee
6. Outside Director: No
7. Whether employed by the Company, subsidiaries, related companies or interested party: No
8. Date appointed to Directorship: 12.12.1983
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate in Industrial Engineering and Management. Master's Degree in Management Science.
Financial Director of the Company, Director of Zenziper Company for Import of Grain and Fodder Ltd.
10. Family relationship to an interested party in the Company: No

6.

1. Name: ARIE KRAUS I.D. No. 053919072
2. Date of Birth: 1956
3. Address: 54 Pinkas Street, Tel Aviv
4. Citizenship: Israeli
5. Membership in Directors Committees: Member of the MemCall Committee.
6. Outside Director: No
7. Whether employed by the Company, subsidiaries, related companies or interested party: No
8. Date appointed to Directorship: 12.12.1983
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate in Production Engineering ..Formerly - coordinator of the Company's building project. Up to 1997 Manager at Shivrug Ltd.
Director of MemCall Ltd. and MemCall LLC. Family relationship to an interested party in the Company: Brother of Ahinoam Kra-Oz

10.

7.

1. Name: ALEX TAL I.D. No. 67165803
2. Date of Birth: 1946
3. Address: 30 Ha'hagana Street, Herzeliya.
4. Citizenship: Israeli
5. Membership in Directors Committees: Member of the audit committee.

Remarks:

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6. Outside Director: No
7. Whether employed by the Company, subsidiaries, related companies or interested party: No
8. Date appointed to Directorship: 1.15.2001
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
From 1996 until January 2000 - Commander of Israel Navy . Formerly the manager of the business enterprise sector of the Company.
Also serves as a director in several companies, Marine &
10. oceanography advisor at Elul company and V.P Marine & Oceanography of Athena company Family relationship to an interested party in the Company: No

8.

1. Name: TAMI GOTTlieb I.D. No. 54584198
2. Date of Birth: 1957
3. Address: 10 Hasharon St, Raanana
4. Citizenship: Israeli
5. Membership in Directors Committees: Member of audit committee and financial committee
6. Outside Director : Yes
7. Whether employed by the Company, subsidiaries, related companies or interested party: No
8. Date appointed to Directorship: 2.28.2002
9. Education and duties in the previous five years as well as additional companies in which she serves as director:
Graduate in International Relations of the Hebrew University in Jerusalem; Master in Economics from the University of Indiana, USA;
Manager in Investec Clali - Management and Underwriting Ltd.;
Independent business development, investment banking and financial consultant; Outside Director of Baran group LTD. , "Dan" Public Transportation Ltd, Credit Information Association Ltd., Leasing Building Company Ltd., Carmel Investments Group Ltd., Director of Emilia Development Ltd., T.R.A. Radio Tel Aviv Ltd., Incredimail Ltd, The company for management of the provident funds of Discount
10. Mercantile Bank.
Family relationship to an interested party in the Company: No

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9.

1. Name: AMIRAM DAGAN I.D. No. 52731510
2. Date of Birth: 1954
3. Address: 40, Ha'Arbel St, Alfei Menashe

Remarks:

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4. Citizenship: Israeli
5. Membership in Directors Committees: Member of Audit Committee
6. Outside Director: Yes
7. Whether employed by the Company, subsidiaries, related companies or interested party: No
8. Date appointed to Directorship: 2.28.2002
9. Education and duties in the previous five years as well as additional companies in which he serves as director:
Graduate of the Technion in Haifa, Master in Political Science and National Security from the University of Haifa, Master in Business Administration from Tel Aviv University. Was commander of Israel Air Force Systems Department, Vice President in Nice Systems Ltd., Presently - V.P. for Development and Operation of the Hetz Hakesef Company.
10. Family relationship to an interested party in the Company: No

REGULATION senior officer of the corporation (not included in rule 26)
26A:

- (1) Name: MOSHE TUR-NER - I.D. No. 051638708

Date of Birth: 1952

Job Function: Joint General Manager of the Education Sector of the Company.

Job Function in subsidiary company or interested party: General Manager of the subsidiary Robotec Technologies Ltd., Director of Robotec Technologies Ltd., Intelitek Inc. and Computras Computerized Training Systems Ltd.

Not related to any other officer or interested party.

Education: Master's Degree in Business Administration.

Experience: From February 1995 until April 2000 - General Manager of Robotec Technologies Ltd.

1994 - General Manager of the Elbit subsidiary Elbit ATI

1990-1993 - VP Operations of the recycling division of Hadera Paper Works

Appointed as Joint General Manager of the Education Sector of the Company: 4.1.2000.

- (2) Name: ELDAD CHERESHNIA I.D. No. 56127590

Date of Birth: 1959

Job Function: Joint General Manager of the Education Sector of the Company.

Job Function in subsidiary company or interested party: Director of Robotec Technologies Ltd., Intelitek Inc., and Computras Computerized Training Systems Ltd.

Not related to any other officer or interested party.

Education: Graduate in Computer Science and Mathematics

Experience: Until April 2000 Company's VP International Marketing.

1988-1995: General Manager of Robotec Technologies Ltd., a subsidiary of the Company

Appointed Joint General Manager of the Educational Sector of the Company: 4.1.2000

- (3) Name: JOSEF BIRAN - I.D. No. 008767402

Date of Birth: 1946

Job Function: General Manager of the subsidiary Yaskawa Eshed Technology Ltd.

Job Function in subsidiary company or interested party: General Manager of the subsidiary Yaskawa Eshed Technology Ltd.

Not related to any other officer or interested party.

Remarks:

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Education: Graduate in Mechanical Engineering, Master of Business Administration.

Experience: Until 12.31.96 - Vice President R&D and Operations of the Company.

1994-1996 - Company's Development Manager.

1991-1994 - Development Manager of Electric Fuel.

Appointed General Manager of Yaskawa Eshed Technology Ltd - 12.31.1996.

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(4) Name: HANAN EIBUSHITZ - I.D. No. 5407473

Date of Birth: 1956

Job Function: Chief Financial Officer

Job Function in subsidiary company or interested party: CFO of RoboGroup T.E.K. Ltd. and all of its subsidiaries

Not related to any other officer or interested party.

Education: Graduate in Industrial Engineering and Management, Master of Business

Administration

Experience: VP Finance of Elbit Vision Systems

Appointed CFO: 11.25.2002

(5) Name: OPHRA LEVY-MILDWORTH I.D. No. 023872807

Date of Birth: 1968

Job Function: Legal Counsel and Company's Secretary

Job Function in subsidiary company or interested party: Legal Counsel and Secretary of RoboGroup T.E.K Ltd. and all its subsidiaries.

Not related to any other officer or interested party.

Education: Graduate in Law and Economics

Experience: Associate in the law firm of Lahav, Litvak-Abadi & Co.

Date appointed Legal Counsel and Company Secretary: 2.15.2001

REGULATION 27: COMPANY ACCOUNTANTS

Chaikin, Cohen, Rubin and Gilboa, Kiryat Atidim, Building 4, Tel Aviv.

REGULATION 29: DIRECTORS RECOMMENDATIONS AND RESOLUTIONS

1. In accordance with the decision of the Company's Board of Directors, the Company filed a motion with the Tel Aviv District Court in November 2002 to approve a distribution by way of a purchase of the Company's shares, pursuant to Section 303 of the Israeli Companies Law, 1999. The amount of distribution approved by the Board of Directors and sought to be approved by the Court is NIS 2,140 thousand. At the date of the report, the hearing of the said motion had not yet concluded.
2. On November 11, 2002 the Company's Board of Directors decided to approve a stock option plan for directors and employees of the Company and its subsidiaries. In the plan, up to 1,270,000 registered options which may be exercised into 1,270,000 ordinary registered shares of par value NIS 0.5 of the Company will be allotted in a private placement. 570,000 of the options were allotted to directors in the Company in an extraordinary private placement. The allotment of the said options was approved by the Company's general shareholders meeting on December 17, 2002.
3. On November 11, 2002, the Company's Board of Directors decided to approve the giving of letters of indemnification and exemption from liability to the directors and officers of the Company, whose names are listed in the Company's periodic report for the year 2001. The Company's general shareholders meeting approved the giving of the letters of indemnification and exemption from liability on 12.17.2002.

Remarks:

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Date: March 30, 2003

RoboGroup T.E.K. Ltd.

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SIGNATORY

FUNCTION

1. RAFAEL ARAVOT CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

2. HAIM SCHLEIFER JOINT MANAGING DIRECTOR
AND DIRECTOR

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RoboGroup T.E.K. Ltd.

Financial Statements
December 31, 2002

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RoboGroup T.E.K. Limited

Directors Report for 2002

Directors Report for the Year ended December 31, 2002

We are pleased to present the Directors Report on the financial condition of the Company for the year ended December 31, 2002.

RoboGroup T.E.K. Limited and its Business Environment

RoboGroup T.E.K. Limited, its subsidiaries and related companies

RoboGroup T.E.K. Limited (RoboGroup) has seven wholly owned subsidiaries:

- a) **Intelitek Inc.**, (Intelitek), a company incorporated in Delaware, USA (formerly Eshed Robotec Inc.), is mainly engaged in the development, manufacture, marketing, sales, technical support and maintenance of CNC products, a product line that was purchased from Davenport Industries LLC, and markets them under the name of Light Machines. Intelitek is also engaged in the marketing, sales, technical support and maintenance of RoboGroup s products in North America.
- b) **Robotec Technologies Ltd.** (RTL), a company incorporated in Israel, is engaged in the marketing, distribution, installation and maintenance of RoboGroup s products and other companies products for the scientific and technological training market in Israel.
- c) **Computras Computerized Training Systems Ltd.** (Computras), a company incorporated in Israel, is engaged in the development, production and marketing of educational software and training software.
- d) **Computras Marketing Training Systems (1988) Ltd.**, a company incorporated in Israel, is engaged in the marketing of educational software for training purposes.
- e) **Eshed Robotec B.V.**, a company incorporated in the Netherlands, is engaged in making investments in new fields of activity.
- f) **Robotec Industries Ltd.**, a company incorporated in Israel in 1993, is currently inactive.
- g) **Sim-Lev Ltd.**, a company incorporated in Israel, is engaged in the development of simulation software for PLC controllers.

In addition, RoboGroup owns 50% of the share capital of Yaskawa Eshed Technology Ltd. (YET), a company incorporated in Israel and jointly owned, by RoboGroup and the Japanese company Yaskawa Electric Corporation (YEC). YET develops and manufactures motion control products for the industrial market, which are mainly marketed by YEC, and also sells development services to YEC in that field.

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RoboGroup T.E.K. Limited

Directors Report for 2002

RoboGroup further holds an 82% interest in MemCall LLC, MemCall Inc. and MemCall Ltd. (collectively MemCall), through its Netherlands subsidiary, Eshed Robotec B.V. The Memcall companies were incorporated in 2001 in the U.S. and in Israel, respectively.

RoboGroup and its subsidiaries will be referred to in this Directors Report as the Company .

The Company and Its Business Environment

The Company operates through three business sectors. One sector focuses on the traditional business activities of the Company – the education field. This sector includes the Company's research and development sections, the operations section, the marketing and sales of the Company's products as well as products manufactured by third parties to the training and education markets around the world and in Israel. The second sector includes the subsidiary YET, which is engaged in the development and manufacture of motion control products for the industrial market. The third sector comprises the startup company MemCall, which is developing new technology designed to shorten the length of time required to locate and retrieve information in computers and communications networks.

The Education Sector

In 2002, the Education Sector continued to implement and execute a cost cutting plan that was initiated in the last quarter of 2001. The plan covered all the entities in the sector, including our U.S. subsidiary and Computras. The plan was implemented in full in accordance with the work plan for 2002.

In April 2002, RoboGroup entered into an agreement to supply training systems for advanced production technologies to a vocational school network in South America, in an amount of approximately US\$ 2 million. This transaction was the follow-on to an earlier transaction of RoboGroup which was completed several years ago, within which systems were supplied to 18 schools in the network. The delivery of the systems was completed in the third quarter of 2002.

In the third quarter of 2002, our e-learning activities were added to the Education Sector. In December 2001, the Company signed an agreement to provide an e-learning training system in consideration of over US\$ 4 million. The e-learning system that is being developed under this agreement includes content packages relating to the Company's principal field of expertise in the development and production of technology training systems. The project is expected to be completed in the first half of 2003. The first delivery in the project was made in the third quarter of 2002, and the Company started recognizing revenues from this project. An additional delivery was made in the fourth quarter of 2002. The Company believes that the successful completion of the project may provide the foundation for a product line in the e-learning field.

In December 2002, Robogroup signed an agreement with Mentergy Ltd. for the acquisition of assets relating to the TrainNet activity (an interactive distance learning product via satellite or broadband communications). Pursuant to the agreement, the Company acquired, among other things, proprietary rights to the software, the right to use the name TrainNet and production files and engineering documentation for the product. The Company regards this transaction as an additional step in the expansion of its activities in the growing field of distance learning and e-learning. The Company believes that the combination between the acquired product and the products developed by the Company will provide its customers with unique solutions for distance learning.

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RoboGroup T.E.K. Limited

Directors' Report for 2002

In the first quarter of 2003, the Company signed several contracts with customers with regard to the TrainNet product.

Computras

In 2002, Computras was integrated into the operations of the Education Sector, and has undergone extensive cutbacks for the purpose of adjusting to the Israeli business environment, as an integrator of learnware in educational institutions and as the training franchisee for the "Computer for Every Child" project.

YET

In 2002, YET delivered approximately US\$ 4.2 million of products and services to YEC. The working plan approved by the Board of Directors of YET for 2002 forecasted a pre-tax profit of approximately US\$ 1.75 million. YET's pre-tax profits for the year 2002 amounted to approximately US\$ 1.6 million (approximately NIS 7.4 million).

In mid 2001, the shareholders of YET reached an agreement whereby YET would start to develop new independent marketing channels for the sale of its products and develop products that will be sold under the YET brand name. In 2002 the basic development of the XtraDrive (Advanced Server Driver) was completed and YET continued with the advanced stages of the development of the XtraDrive, which will be sold

under the YET brand name.

In 2002, YET also initiated marketing activities with the cooperation of YEC in Europe and the U.S. in order to establish a presence in these markets and entered into negotiations with a European company and U.S. companies in regard to private label agreements. In addition, YET continued to market YEC's products in Israel during 2002.

Since YEC's marketing system in Europe is undergoing fundamental changes, the progress of the building of a marketing system that is related to YEC has been delayed. In early 2003, YET began looking for independent distributors to market its products in Europe.

In early 2003, it was made clear to YET that YEC would not distribute YET products in the U.S., and that YET will have to establish an independent marketing network there. Action on this matter has been started.

In 2002, YET made preliminary sales (in immaterial amounts) of the XtraDrive product to several clients in Europe and in the U.S., as well as preliminary sales (also in immaterial amounts) of the YEC product line in Israel.

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Directors' Report for 2002

In May 2000, RoboGroup entered into a service agreement with YET under which YET pays RoboGroup for services and management fees. The sum of the payment is determined annually by mutual consent. In January 2002 a service agreement was signed between RoboGroup and YET for 2002, under which YET paid RoboGroup approximately NIS 1.2 million for services and management fees. In January 2003 a service agreement was signed between RoboGroup and YET for 2003, under which YET will pay RoboGroup approximately NIS 0.9 million for services and management fees.

MemCall

MemCall is engaged in the development of a new search technology which, would potentially reduce the time for locating and retrieving data in computers and communications networks. The result of the new technology is expected to be a development of electronic semiconductor chips.

In 2002, MemCall continued its efforts to raise capital from outside sources. The depressed condition of the global networking market has significantly reduced MemCall's market potential. In addition, the condition of the capital markets is still bad, and MemCall's management is therefore unable to estimate whether, when or under what conditions it will be able to raise capital for its operations.

In early 2001, RoboGroup's Board of Directors determined two milestones for completing an investment of US\$ 2.5 million in MemCall. In November 2001, RoboGroup's Board of Directors acknowledged that MemCall met the two milestones.

In May 2002, RoboGroup's Board of Directors approved an additional US\$ 1 million investment in MemCall, subject to several milestones being met by the end of 2002. In January 2003, RoboGroup's Board of Directors approved an additional investment of US\$ 0.75 million, while examining the investment during the course of the period in accordance with MemCall's progress toward the milestones that were determined. The additional financing pursuant to these two resolutions will be provided in accordance with MemCall's letter of undertaking which provides, among other things, that the sum of the investment will be either repaid by MemCall on specified dates or, alternatively, converted into additional share capital in MemCall at RoboGroup's discretion.

Accordingly, RoboGroup's investment in MemCall is expected to total approximately US\$ 4.25 million, of which US\$ 2 million was invested in the form of share capital, and the balance in the form of a US\$ 2.25 million convertible loan.

RoboGroup's investment in MemCall in 2002 amounted to the total sum of approximately NIS 7.6 million (US\$ 1.6 million) net, after deduction of the Chief Scientist's contribution, as specified below. RoboGroup's aggregate investment in MemCall, as of December 31, 2002, amounted to approximately US\$ 3.3 million. All of the investments in MemCall are recorded by the Company as current expenses in the quarter in which they were made (with regard to R&D expenses, see Note 5 to the financial statements).

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In addition to the above-mentioned resolution regarding the enlargement of the investment, RoboGroup's Board of Directors passed the following resolutions in January 2003 regarding the continued operation of MemCall: (a) To transfer MemCall's headquarters to the State of California in the U.S.A. where, to the Company's best knowledge, the largest concentration of MemCall's target markets is located; (b) To change MemCall's business model, while emphasizing strategic alliances with leading manufacturers/marketers in the global silicon market; (c) To appoint Mr. Bill Eichen, a California resident, as CEO and a director of MemCall; Who will also be the director of Memcall; and (d) To implement a reorganization plan, which includes staff reductions. In addition, MemCall will continue to develop its technology and intellectual assets.

MemCall's retiring CEO, Mr. Alon Shacham, will continue to contribute to the company as an outside consultant. In addition, Mr. Amnon Yacoby was appointed as Chairman of MemCall's Board of Directors succeeding Mr. Rafael Aravot.

In the third quarter of 2002, MemCall received the approval of the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade (the Chief Scientist) for a grant in the total sum of approximately NIS 4.6 million, which constitutes 50% of a total budget of approximately NIS 9.2 million which was approved for MemCall by the Chief Scientist pursuant to a development plan that was submitted by the company under the R&D Law. The approved budget is for the period January-December 2002. MemCall has asked for, and received, the Chief Scientist's approval to extend the period of this budget until the end of March 2003, the total sum amounted to NIS 8 million while NIS 4 million or 50% out of the budget were given as grant. Until the date of this report, MemCall received the total sum of NIS 3.6 million.

In the third quarter of 2002, MemCall received a preliminary quantity of test chips from an outside contractor who manufactured the chips for the company. The test chip is a piece of silicon (a chip), designed to test basic functions in the planning of MemCall's first planned product (GSP1), and is not a product in itself. The examination process of the test chips that were received revealed significant problems with the outside manufacturer's production process. The result of these problems was that only a certain percentage of the functions which should have been tested, were actually tested by MemCall. MemCall intends to develop other manufacturing partnerships as the program develops.

RoboGroup's Building

The space in RoboGroup's building in Rosh Ha Ayin that is not occupied by the Company is leased to three outside tenants. In 2002, the Company recorded a total of approximately US\$ 600 thousand in rental payments from these tenants.

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Active Markets

The Education Sector

The majority of the products developed and manufactured by the Company are for export. The Company markets such products through a network of dozens of sub-agents throughout the world (The agent for the U.S. and Canada is a subsidiary).

The Company markets its products and complementary products to the technological and scientific educational market in Israel through its subsidiaries RTL and Computras.

The Company's e-learning products are marketed both to the educational sector, such as education ministries, school networks and universities, and the private sector, such as companies and organizations that need to perform internal employee training.

YET

Until the middle of 2001, YET only operated in the Japanese market, selling its products exclusively through YEC. Following a resolution passed by YET's Board of Directors in the middle of 2001 to open its markets to additional external customers, YET recruited a manager of marketing and business development to develop the marketing channels in the U.S., a manager of marketing and business development to develop the marketing channels in Europe and the Far East, and a sales and marketing officer for developing marketing channels in Israel.

In 2002, YET initiated marketing activities with the cooperation of YEC in Europe and the U.S. in order to penetrate these markets with a product developed by the Company. In addition, YET continued marketing YEC products in Israel. YET is seeking independent distributors to market its products in Europe and has begun to establish an independent marketing network in the U.S.

Customers and Risk Factors

The Education Sector

The main market for the Education Sector's products is educational institutions and research and development institutes, which purchase the products for educational purposes. The budgets of such institutions are influenced by decisions of external administrative bodies (government education authorities, local educational departments, etc.).

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RoboGroup T.E.K. Limited

Directors' Report for 2002

In addition, the products developed by the Education Sector are directed at a narrow section of the educational market, i.e., the market for science and technology education.

The Education Sector operates in the hi-tech industry, which is characterized by technological innovation. In order to maintain the Company's position in this field, it must invest resources in upgrading existing products and developing new products, with the risk that other manufacturers, some of which have greater resources than the Company, will preempt the Company in the development of competitive systems.

Approximately 12% of the Education Sector's total sales in 2002 were to a large number of clients in the Israeli market, including municipal authorities and educational institutions, which are mostly funded by the Israeli Ministry of Education. Consequently, the scope and structure of the portion of the Israeli Ministry of Education budget that is devoted to the purchase of science and technology equipment in the Israeli market has a large effect on the Education Sector's sales in Israel.

YET

So long as the only or major customer of YET products is YEC, which holds 50% of YET's shares, this is a risk for YET. With the opening of new global marketing channels for YET's products, the aforesaid risk to YET's activity is expected to diminish.

Competition

The Education Sector

Competition in the Israeli market. To the best of the Company's knowledge, one other Israeli company competes with the Company with respect to certain of its independently-manufactured product lines.

Competition worldwide. The Company has competitors in all the markets in which it exports its products. The Company's competitors are local manufacturers, although certain manufacturers who compete with the Company operate worldwide, some of which have greater financial resources than the Company.

The Company's ability to compete successfully is dependent on the quality and pricing of its products in comparison with those of its competitors, as well as the resources that are available to the Company for investment in development and marketing.

YET

Significant competition exists both in Israel and worldwide for the motion control products developed by YET from large competitors such as Siemens, Mitsubishi, Rockwell and others.

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Suppliers

Products manufactured by the Company are adjusted to components made by various manufacturers (for example, motors, transmissions, electronic components, etc.). Should the prices of these components to which the Company's products have been adjusted increase significantly, or for some reason should the Company be unable to purchase them and be forced to effect changes in its systems to adjust them to new components, the Company believes this adjustment will not involve significant development costs.

YET is dependent on YEC as a supplier of components for its XtraDrive product.

Exposure to and Management of Market Risks

a. Currency Risks

The majority of the Company's products are exported, and as a result, the bulk of the Company's income is received in foreign currency. As a result of the nature of the Company's operations, the Company is subject to risks from changes in the exchange rates of foreign currencies (mainly US\$ and Japanese YEN). The Company undertakes the following precautions in order to limit its exposure:

1. Daily monitoring of changes in the exchange rates of the various currencies as well as factors that are bound to influence such currencies.
2. An evaluation of the Company's quarterly position with respect to the general exposure to changes in the various currencies.
3. Establishing foreign currency linked loans for the financing of its investments in its building.

Notwithstanding these precautions, the Company cannot insure full protection against foreign currency risks, and the Company is exposed to exchange rate fluctuations between various foreign currencies and between the foreign currencies and the Israeli shekel.

b. Interest and Index Risks

Although the majority of the Company's income is in foreign currency, the Company does not enter into specific hedging contracts against the exposure due to changes of interest and index rates. However, the Company is accustomed to investing a portion of its monetary balances in accordance with its periodic evaluations with respect to expectations in the areas of interest and index.

In 2002, the Company reduced its monetary balances that are invested in securities. As of December 31, 2002, the balance of the Company's securities portfolio was of immaterial value. In the event the Company will decide to increase its investment in securities in the future, it will be exposed to fluctuations in the prices of securities in its investment portfolio.

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c. The Responsible Officer

The Company's chief financial officer is responsible for managing the Company's market risks.

d. Supervision and Application of Policy

Company management and the finance committee of the Board of Directors constantly monitors the extent of the Company's exposure to market risks, and decides accordingly if it is necessary to modify its risk management policy and, if necessary, adopt protective measures.

e. As of December 31, 2002 the Company had no outstanding futures contracts. The Company did not enter into any futures contracts in 2002.

Donations

The Company does not have a policy with respect to donations and is not committed to make any donations in the future.

Backlog of Orders

The Company's backlog of orders at December 31, 2002 consists of approximately NIS 20.7 million compared to approximately NIS 19.6 million as of December 31, 2001.

2. The Financial Position of the Company

- a) The Company's assets as of December 31, 2002 totaled approximately NIS 106.2 million, compared to approximately NIS 102.6 million at December 31, 2001.

The increase in the Company's assets resulted from a rise in cash and cash equivalents in the total sum of approximately NIS 13.3 million, which was mostly offset against a decrease in customer balances in the sum of NIS 5.2 million, a decrease in inventories in the total sum of approximately NIS 0.6 million, and a decrease in short term investments in the total sum of approximately NIS 1.7 million.

- b) The Company's equity was approximately NIS 50 million as of December 31, 2002, compared with approximately NIS 46.4 million as of December 31, 2001. The increase in equity derived mainly from a profit in the amount of approximately NIS 3.4 million in 2002.

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3. Financial Results

Following are the financial results of the Company on a quarterly basis and the year ended December 31, 2002 compared with the year ended December 31, 2001, adjusted to the NIS of December 2002 (in thousands of shekels).

	1/02	2/02	3/02	4/02	2002	2001
Revenues, net	15,194	21,092	26,890	24,643	87,819	87,597

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	1/02	2/02	3/02	4/02	2002	2001
Cost of revenues	9,084	9,966	10,769	12,391	42,210	52,281
Gross profit	6,110	11,126	16,121	12,252	45,609	35,316
Operating expenses						
Research and development, net	3,782	2,534	3,324	3,361	13,001	12,576
Marketing and selling expenses	3,493	3,544	3,992	3,485	14,514	16,136
General and administrative expenses	3,171	2,707	3,416	4,599	13,893	12,844
	10,446	8,785	10,732	11,445	41,408	41,556
Operating income (loss)	(4,336)	2,341	5,389	807	4,201	(6,240)
Financial income (expense), net	708	(954)	(854)	(329)	(1,429)	1,962
Other income (expense)	446	611	(172)	787	1,672	2,755
Income (loss) before taxes	(3,182)	1,998	4,363	1,265	4,444	(1,523)
Taxes on income *	(184)	(787)	(206)	106	(1,071)	(905)
Net income (loss)	(3,366)	1,211	4,157	1,371	3,373	(2,428)

(*) Restated

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Profit and Loss Development

The Company's revenues in 2002 totaled approximately NIS 87.8 million, compared with approximately NIS 87.6 million in 2001. The increase in revenues in 2002 was attributable to an increase in revenues in the education field from an e-learning project for which revenues of approximately NIS 11.3 million were recognized this year and from an increase of approximately NIS 4.5 million in revenues from development services of a proportionately consolidated company. On the other hand, the Company's revenues from the sale of Light Machine products decreased by approximately NIS 3.5 million, and the sales of the products of a proportionately consolidated company decreased by approximately NIS 11.6 million.

The gross profit from the Company's products and other products that are marketed by the Company was, in 2002, approximately 52% of revenues, as compared with approximately 40% in 2001. The increase in the gross profit rate resulted mainly from a different product mix and an increase in revenues from development services and royalties of a proportionately consolidated company. Operating expenses in 2002 totaled approximately NIS 41.4 million as compared with approximately NIS 41.6 million in 2001.

In 2002, research and development expenses, net, increased by approximately NIS 0.4 million, compared with 2001, mainly as a result of increased investments in the development activities of MemCall which totaled approximately NIS 6.1 million in 2002, compared with approximately NIS 5.1 million in 2001. In addition the investments in the development activities of e-learning increased in the amount of NIS 0.4 million, and the development expenses of YET increased by NIS 0.9 million. On the other hand, the investments in the development activities of the Education Sector decreased by approximately NIS 1.9 million. Marketing and selling expenses in 2002 decreased by approximately NIS 1.6 million compared with 2001, mainly due to a decrease in the marketing and selling expenses of the Education Sector.

General and administrative expenses in 2002 increased by approximately NIS 1 million compared with 2001, mainly due to salary provisions for directors.

Profits from ordinary operations in 2002 totaled approximately NIS 4.4 million compared with a loss from ordinary operations that totaled approximately NIS 1.5 million in 2001.

The Company's financing expenses, net, in 2002 totaled approximately NIS 1.4 million, compared with financing income of approximately NIS 2 million in 2001. The financing expenses derived mainly from interest and the erosion of loans in the amount of approximately NIS 2 million which were borrowed for financing the building, and differences in exchange rates which were offset mainly by charges in respect of interest in the current operation of the Company. Other income in 2002 amounted to approximately NIS 1.7 million compared with other income of approximately NIS 2.8 million in 2001. The decrease in other income in the amount of approximately NIS 1.1 million was mainly due to a decrease in net income from leasing space in RoboGroup's building of approximately NIS 1.1 million in 2002. The Company's net profit in 2002 was approximately NIS 3.4 million as compared with a loss of approximately NIS 2.4 million in 2001. The net income of approximately NIS 3.4 million resulted mainly from the Education Sector, in the sum of approximately NIS 7.3 million, income from the building in the sum of approximately NIS 2.1 million, and the profits of a proportionately consolidated company in the sum of approximately NIS 1.6 million, which were partly offset by investments in the development activity of MemCall in the sum of approximately NIS 7.6 million.

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Directors' Report for 2002

4. Liquidity

a) The balance of the Company's cash, cash equivalents and securities at December 31, 2002 was approximately NIS 24.8 million as compared to approximately NIS 11.5 million at December 31, 2001.

b) Cash flows derived from current operations:

In 2002, the Company had a surplus from current operations of approximately NIS 13.6 million as compared to a deficit from current operations of approximately NIS 4.5 million in 2001.

c) Cash flows applied to investment operations:

In 2002, the Company invested approximately NIS 2.2 million in fixed assets as compared to approximately NIS 2.8 million in 2001. Of this amount, approximately NIS 1.3 million was invested in RoboGroup's building in 2002 as compared to approximately NIS 0.7 million in 2001.

d) Cash flows derived from financing operations:

In 2002, the Company had a surplus in cash from financing operations in the amount of approximately NIS 0.4 million as compared to a surplus of approximately NIS 5.7 million in 2001. The surplus from financing operations in 2002 resulted mainly from a increase in long term loans.

5. Sources of Financing

a) The Company has positive working capital. The current ratio was 1.88 at December 31, 2002, compared with 1.31 at the end of 2001. The Company's quick ratio was 1.41 at December 31, 2002 compared with 0.95 at December 31, 2001.

b) The Company's shareholders' equity of approximately NIS 50 million at December 31, 2002, accounted for approximately 47% of its total balance sheet and served the Company as a principal source of financing in comparison to shareholders' equity of approximately NIS 46.4 million that accounted for approximately 45% of its balance sheet at December 31, 2001.

c) The average amount of credit provided to the Company's customers was approximately NIS 22.6 million and the average credit the Company obtained from its suppliers and service providers was approximately NIS 10 million, in 2002 as compared with approximately NIS 22.8 million and approximately NIS 13.8 million, respectively, at December 31, 2001.

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- d) The average amount of short-term credit from the bank was approximately NIS 18.4 million in 2002 as compared with approximately NIS 14.8 million at December 31, 2001.
- e) The average amount of long-term bank credit was approximately NIS 15.3 million in 2002 as compared with approximately NIS 16.4 million at December 31, 2001.

6. Option Plans for Employees, Directors and Interested Parties

- 6.1. During the period January 2002 to February 2003, RoboGroup issued 3,000 ordinary registered shares of par value NIS 0.5 each of the Company, as a result of the exercise of 3,000 stock options. RoboGroup's stock options were allotted on February 9, 1998 to a trustee on behalf of employees of the Company and its subsidiaries, and are exercisable in consideration for a cash payment in NIS equal to US\$ 0.50 per option..

As of the date of this report, 75,400 stock options remained in the hands of the employees of RoboGroup and its subsidiaries that have not yet been exercised into RoboGroup shares. At this time, 42,600 stock options remain in the hands of RoboGroup and have not yet been issued to the employees of RoboGroup or its subsidiaries.

- 6.2. On March 13, 2003, 773,500 options were allotted to the trustee for directors and employees of the Company and its subsidiaries, that are exercisable in consideration of a cash payment in NIS equal to US\$ 0.91 per option. This plan was approved by RoboGroup's Board of Directors in November 2002 and by the general shareholders meeting of the Company on December 17, 2002. The options will be exercisable for 10 years, starting January 1, 2003, and will be subject to the lock-up provisions under Section 102 of the Israeli Income Tax Ordinance.
- 6.3. In addition to the allotment described in Section 6.2, on March 13, 2003, 190,000 options were allotted to RoboGroup's directors that are exercisable in consideration of a cash payment in NIS equal to US\$ 0.91 per option (the Directors Plan). The Directors Plan was approved by RoboGroup's Board of Directors in November 2002 and by the general shareholders meeting of the Company on December 17, 2002. The terms governing the exercise and holding of the options in the Directors Plan are identical to the terms of the employee stock option plan, subject to the provisions of any law.

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7. Undertaking of Indemnification and release from Liability

In November 2002, RoboGroup's Board of Directors approved that undertakings of indemnification and release from liability be given to RoboGroup's directors and officers. This resolution was approved by the general shareholders meeting of the Company on December 17, 2002. According to the letters of indemnification, the Company undertook irrevocably to indemnify each and every recipient of the indemnification against any liability or expense incurred by him or her due to an act, including an omission, made by them in their capacity as officers of the Company, or as a result of an act made by them as an officer or employee of another corporation, which they assumed as a result of their being officers of the Company. The letters of indemnification are subject to the provisions of the law and of the Company's Articles of Association. The amount of the indemnification under the letters of indemnification to all the recipients cumulatively, will not exceed an amount in NIS equal to US\$ 4 million for a single event.

8. Motion to Approve a Distribution

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In November 2002, RoboGroup filed a motion with the Tel Aviv District Court to approve a distribution by way of a purchase of Company shares, pursuant to Section 303 of the Israeli Companies Law, 1999. The sum of the distribution requested to be approved was NIS 2,140 thousand. The Company's principal creditors have consented to the distribution in principle. According to the instructions of the District Court, RoboGroup has retained an independent CPA to provide an opinion on the Company's solvency.

9. General Meeting of the Company's Shareholders

An annual general meeting of RoboGroup's shareholders was held on December 17, 2002. The General Meeting approved the reelection of RoboGroup's directors, approved the award of a grant to two managers and directors of the Company, in the total sum of US\$ 80,000, approved the Company's stock option plans for employees and directors as mentioned above, approved the undertaking of indemnification and exemption from liability for directors and officers as mentioned above, and the appointment of the Company's CPAs.

10. External Factors

The changes in the world economy and the terrorist attacks in the U.S. on September 11, 2001 impacted and continue to impact the stock prices on stock exchanges throughout the world and in the U.S. in particular, and in this context also affected the stock prices of RoboGroup's securities traded on the Tel Aviv Stock Exchange as well as on the Nasdaq Stock Market.

The continued slowdown of the world economy and the terrorist attacks in the U.S. on September 11, 2001, have affected the Company's business in the following markets:

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Directors' Report for 2002

A slowdown has been observed in the market for motion control products throughout the world. A more substantial slowdown was observed in the upper segment of the market (e.g. machines for the semi-conductor industries). YEC, which continues to be YET's sole customer, suffered a significant drop in the sales of these product lines. This has also affected YET's business.

A substantial slowdown was observed in the networking market, which is one of the central potential markets for MemCall products. This has brought about a reduction in the potential market, a slower penetration of new technologies and products into the market, as well as a delay in investment activity in the market. The slowdown in the target markets for MemCall products and the significant decline in venture capital investments in new enterprises have had an adverse effect on MemCall.

In the global education market, institutional investments in education infrastructures declined as a result of the lack of economic resources for institutional entities in general and for the education institutions in particular, due to the slowdown in the world economy on the one hand and the increasing investments in security and safety markets on the other hand. The decrease in financial resources available for the products of the Education Sector has brought about a reduction of its potential sales.

The Israeli education market has suffered for some time from a shortage in resources for investment in infrastructures, educational software and laboratories for science and technology education. The additional cutbacks in the education budget are expected to substantially reduce the investments in these fields.

Rafael Aravot
Chairman of the Board and CEO
Date: March 30, 2003

Haim Schleifer
Director and Joint General Manager

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements, which express the beliefs and expectations of management. Such statements are based on current plans, estimates and expectations and involve a number of known and unknown risks and uncertainties that could cause the Company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include the impact of pharmaceutical industry regulation, the difficulty of predicting FDA and other regulatory authority approvals, the regulatory environment and changes in the health policies and structure of various countries, acceptance

and demand for new pharmaceutical products and new therapies, the impact of competitive products and pricing, the availability and pricing of ingredients used in the manufacture of pharmaceutical products, uncertainties regarding market acceptance of innovative products, newly launched, currently being set or in development, the impact of constructing of clients, reliance on a strategy of acquiring companies and on strategic alliances, exposure to product liability claims, dependence on patent and other protections for our innovative products, fluctuations in currency, exchange and interest rates, operating results, and other factors that are discussed in the Company's Annual Report on Form 20-F and the Company's other filings with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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Chaikin, Cohen, Rubin & Gilboa.

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INDEPENDENT AUDITORS' REPORT **To the Shareholders of RoboGroup T.E.K LTD.**

We have audited the accompanying balance sheets of **RoboGroup T.E.K LTD.** (hereinafter - the Company) as of December 31, 2002 and 2000, and the consolidated balance sheets as of the same dates and the related statements of operations, statements of changes in shareholders' equity and statements of cash flows - for each of the three years ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have not audited the financial statements of the consolidated companies whose joint assets represent approximately 29% and 24% of the total consolidated assets as of December 31, 2002 and 2000 respectively and whose joint revenues represent approximately 41%, 24%, and 38% of the total consolidated revenues for the years ended December 31, 2002, 2000 and 1999 respectively. The financial statements of those companies were audited by other independent public accountants whose reports have been furnished to us and our opinion, insofar as it relates to amounts included for those companies, is based solely on the reports of those other public accountants.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed by the Auditors (Mode of Performance) Regulations, 1973. Those 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our examination and on the reports of the other public accountants referred to above, the above mentioned financial statements present fairly, in all material respects, the financial position - of the Company and consolidated - as of December 31, 2002 and 2000 and the results of operations, changes in shareholders' equity, and cash flows - of the Company and consolidated - for each of the three years ended December 31, 2002, in conformity with accounting principles generally accepted in Israel and in the United States (as applicable to the financial statements of the Company, such accounting principles are practically identical in the said countries, save for the measurement in terms of a constant purchasing power, which became an accepted accounting practice in Israel during a period of hyperinflation and save for certain matters summarized in note 28). It is also our opinion that the above mentioned financial statements have been prepared in conformity with the Securities Regulations (Preparation of Annual Financial Statements), 1993.

As explained in note 2, the above mentioned financial statements are presented in adjusted values adjusted to changes in the general purchasing power of the Israeli currency, in accordance with opinions of the institute of Certified Public Accountants in Israel.

/s/ Chaikin Cohen Rubin
**Chaikin Cohen Rubin
& Gilboa**

Certified Public Accountants (Isr.)

Tel-Aviv, March 30, 2003

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(Adjusted NIS in Thousands, to December 2002)

Assets

Current assets

Current assets						
Cash and cash equivalents		5,235	24,800	11,487	16,525	5,146
Short-term investments	3	105	498	2,168	498	2,168
Trade receivables	4	4,225	20,012	25,156	6,613	3,168
Other receivables and debit balances	5, 19a	540	2,560	4,253	5,678	6,573
Inventories	6	3,352	15,881	(**)16,521	4,438	4,523
		<u>13,457</u>	<u>63,752</u>	<u>59,585</u>	<u>33,752</u>	<u>&</u>