

14 September 2022

t42 IoT Tracking Solutions Plc
("t42" or the "Company")

Interim Results

t42 IoT Tracking Solutions plc (AIM: TRAC) ("t42" or the "Company"), which provides real-time tracking, security, and monitoring solutions for the global supply chain, logistics, container and freight market, announces its results for the six months ended 30 June 2022.

Business Overview Highlights

- Continued to refocus the legacy business to shipping containers tracking services
- Over \$55 million in shipping containers tracking solutions potential sales for the next 5 years via signed agreements in Latin America now going into execution stage
- First commercial orders received from DHL
- Pilot programme completed with the security division of Philip Morris Israel Ltd
- Pilot programme agreed with DB Schenker, one of the world's largest global logistics providers
- Signed agreement for shipping container tracking solutions with Olimp Bulgaria Ltd.
- Post-period end, signed significant distribution agreement in Argentina

H1 Financials Highlights

- Revenues decreased by 4% to \$2.18m (H1 2021: \$2.27m).
- Recurring SaaS revenues increased by 2% to \$1.091m (H1 2021: \$1.071m).
- Adjusted EBITDA* loss of \$247,000 (H1 2021: loss of \$167,000).
- Gross margin for the period was 46% (H1 2021:40%).
- General expenses increased by 10% to \$1.5m (H1 2021: \$1.4m).
- Strong pipeline of potential new orders for fiscal year 2022 and 2023

Avi Hartmann, CEO of t42, commented:

"The strategy of t42 to focus on shipping containers tracking solutions is now taking form. The Company is redefining itself and now beginning to execute its new strategy. Our contract wins are starting to deliver first sales and we believe the impact of our strategy change will begin to be felt in H2 of this year. While the financials for this half are not yet representative of the new business, as more contracts for advanced solutions convert into orders, we can expect to see continued growth in revenues and a noticeable shift to higher margin SaaS. The growing pipeline of potential orders underpins our confidence in future growth."

*Adjusted EBITDA is earnings before interest, tax, depreciation, amortization and share-based payment expense.

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CHAIRMAN'S STATEMENT

During the first half of the year, as we transition from the legacy business to the new shipping containers tracking business, our focus has been on securing new opportunities with leaders at the forefront of the freight and logistics industry around the world, which are expected to bear fruit starting from H2 of this year.

. It is pleasing to see contract wins begin to deliver revenues, with newly signed contracts expected to grow revenues in the second half of 2022, and with the knowledge that that our pipeline of opportunities and further contract wins can be expected to lead to additional growth, albeit with some time lag after contract signing.

The shortage in the supply of microchips continues to present challenges for many industries. Although we are managing this problem with creative R&D solutions, it inevitably impacts our short-term growth. In particular, the demand pressures from other industries create additional cash requirements as manufacturers have frequently been demanding significant up-front payments to ensure timely delivery. We are confident we can address these issues, but they present new management challenges and our future performance remains reliant on our ability to do so.

The Company has continued its rapid technological development, and in August this year a new version of Lokies 2.0 was released. It includes several significant improvements: a new cellular module for improved remote wireless coverage, a new universal charging port, an enhanced CPU (Central Processing Unit) for better performance, and a new BLE (Bluetooth Low Energy) 5.2 for improved energy consumption and future-proofing the product. These improvements meet customer preferences in the market and are influenced by our existing customers' feedback on their requirements. In addition, the Company has upgraded its online portal and enabled different alerts across multiple communication networks, such as Telegram, SMS, e-mail, Olympia Tracking App, etc.

It is exciting to report the completion of the integration of the t42 system with the Argentinian Customs systems in support of the commercial agreement signed on 13 July 2022. This complex systems integration capability demonstrates the deep technical and operational capacity within the t42 team as well as the capabilities of the technology. It will be an important demonstration of t42's ability to implement at scale for future contract tenders.

FINANCIAL REVIEW

Group revenues for the 6 months to 30 June 2022 were \$2.18m, compared with \$2.27m for the six months ended 30 June 2021, a decrease of 4%. SaaS revenues showed a slight increase over the equivalent period last year. Hardware sales were restricted by our ability to obtain some of the components required, although we expect these orders to be fulfilled in the second half of the year and hardware sales to show a corresponding increase.

Gross margin for the 6 months to 30 June 2022 increased to 46%, compared with 40% for the corresponding period in 2021.

Total operating expenses for the 6 months to 30 June 2022 were \$1.5m (2021: \$1.4m). The increase is mainly due to additional re-branding expenses as the Company continued to focus on the container and freight market.

Net loss after taxation for the six months to 30 June 2022 decreased to \$0.2m compared with the 2021 net loss of \$0.53m.

The Group recorded an exchange rate profit of \$0.4m (2021:\$0.03m) resulting from the

strengthening of the US dollar relative to the Israeli Shekel.

The Group balance sheet showed a decrease in trade receivables to \$0.65m, compared with \$0.73m as at 30 June 2021.

Inventories at the period end were \$2.2m compared with \$2.0m as at 30 June 2021 and \$1.8m as at 31 December 2021, as the Company increased its holding of critical components to better manage its supply chain.

Trade payables at the period end were stable at \$1.61m, compared with \$1.37m and \$1.55m as at 30 June 2021 and 31 December 2021, respectively.

Net cash used in operating activities for the 6 months to 30 June 2022 was \$0.76m, compared with net cash provided by operating activities for the 6 months to 30 June 2021 of \$0.183m.

In fixed assets, one-off expenditures of \$0.3m were incurred in relation to the establishment of the Company's new office. The impact of the new office lease is reflected in the increased Right of Use asset, increasing from \$0.7m as at 31 December 2021 to \$1.06m as at 30 June 2022 (\$0.26m as at 30 June 2021), offset by an increase in Leasehold Liabilities within non-current liabilities from \$0.56m as at 31 December 2021 to \$0.89m as at 30 June 2022 (\$0.17m as at 30 June 2021).

OUTLOOK

At this crucial time, when global supply chains are being disrupted, it is more critical than ever that authorities and companies rely on reliable and actionable data. As we look ahead to the remainder of 2022 and 2023, we see strong tailwinds and increased demand for IoT tracking and monitoring solutions.

As a result of our strong and growing pipeline, we are confident about demand robustness and our rationale for focusing the T42 business on the freight and logistics markets. We offer the best-in-class solutions to one of the world's most traditional industries, a multi-billion-dollar industry, with innovative monitoring capabilities.

In particular, the new contract in Latin America has raised the awareness and recognition of our container and freight solutions. We are currently conducting reviews and pilots with several potential customers in new geographies and markets. Over the next few months, we expect further agreements to be reached.

We are focused on satisfying growing numbers of new orders, and we expect to benefit as our focused activities and investments mature bringing results in the near future. We anticipate solid performance and growth in 2022 and in succeeding years.

Michael Rosenberg
Non-Executive Chairman

**Review Report of Independent Auditors
to the Shareholders of
t42 IoT Tracking Solutions PLC (formerly: Starcom PLC)**

Introduction

We have reviewed the accompanying condensed consolidated interim statements of financial position of t42 IoT Tracking Solutions PLC (formerly: Starcom PLC) and its consolidated subsidiaries (hereinafter - "the Group") as at June 30, 2022 and the related condensed consolidated interim statements of comprehensive loss, changes in shareholders' equity and cash flows for the six months to June 30, 2022. The preparation and presentation of these condensed consolidated financial statements are in conformity with International Accounting Standard No. 34 "Interim Financial Reporting" and are the responsibility of the Group's board of directors and management. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) No. 2410 of the Israel Accounting Standards Board, "Review of Interim Financial Information for Interim Periods Performed by the Auditor of an Entity". A review consists principally of inquiries of Company personnel, analytical procedures applied to the financial data and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to these interim consolidated financial statements in order for them to be in conformity with International Accounting Standard No. 34.

Without qualifying our conclusion, we draw attention to Note 10 in the financial statements regarding the global uncertainties caused by the COVID-19 pandemic and the invasion of Ukraine by Russia and its material negative impact on the Group's activities.

Barzily & Co.
Certified Public Accountants.
A Member of MSI Worldwide

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. Dollars in thousands

		June 30		December 31
	Note	2022	2021	2021
		Unaudited	Unaudited	Audited
ASSETS				
NON-CURRENT ASSETS :				
Property, plant and equipment, net		591	325	299
Rights of use assets, net		1,064	260	690
Intangible assets, net	3	1,028	1,811	1,034
Income Tax Authorities		58	56	57
Total Non-Current Assets		2,741	2,452	2,080
CURRENT ASSETS :				
Inventories		2,234	2,030	1,790
Trade receivables (net of allowance for doubtful accounts of \$462, \$583 and \$497 thousand as of June 30, 2022 and 2021 and December 31, 2021)		645	734	679
Other receivables		98	74	160
Short-term deposit		131	148	154
Cash and cash equivalents		311	328	1,534
Total Current Assets		3,419	3,314	4,317
TOTAL ASSETS		6,160	5,766	6,397
LIABILITIES AND EQUITY				
EQUITY				
		93	1,641	193
NON-CURRENT LIABILITIES:				
Long-term loans from banks, net of current maturities		178	265	239
Amortized cost of a convertible loan	5	824	287	857
Conversion component of a convertible loan at fair value	5	215	16	279
Leasehold liabilities		888	170	558
Warrants at fair value	5	87	-	115
Total Non-Current Liabilities		2,192	738	2,048
CURRENT LIABILITIES:				
Short-term bank credit		61	1	24
Short-term loans and current maturities of long-term loans		927	958	998
Warrants at fair value	5	-	6	3
Trade payables		1,606	1,373	1,553
Shareholders and related parties	6	708	665	692
Other payables		442	254	738
Leasehold liabilities		131	130	148
Total Current Liabilities		3,875	3,387	4,156
TOTAL LIABILITIES AND EQUITY		6,160	5,766	6,397

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

13/09/2022
Date of Approval of the Financial Statements

Igor Vatenmacher, CFO
Director

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
U.S. Dollars in thousands

	Note	Six Months Ended June 30 2022	Six Months Ended June 30 2021	Year Ended December 31 2021
		Unaudited	Unaudited	Audited
Revenues		2,177	2,271	4,214
Cost of sales	7	(1,181)	(1,356)	(2,545)
Inventory write-down		-	-	(381)
Gross profit		996	915	1,288
Operating expenses:				
Research and development		(60)	(137)	(223)
Selling and marketing		(323)	(294)	(609)
General and administrative		(1,098)	(978)	(2,388)
Other income (expenses)		(40)	21	(756)
		<u>(1,521)</u>	<u>(1,388)</u>	<u>(3,976)</u>
Operating loss		(525)	(473)	(2,688)
Net finance Income (expenses)	8	<u>303</u>	<u>(58)</u>	<u>(271)</u>
Total comprehensive loss for the year		<u>(222)</u>	<u>(531)</u>	<u>(2,959)</u>
Loss per share:				
Basic and diluted loss per share (in dollars)	4	<u>(0.004)</u>	<u>(0.012)</u>	<u>(0.064)</u>

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

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
U.S. Dollars in thousands

	Share Capital *	Premium on Shares	Capital Reserve	Capital Reserve for Share-based payment	Accumulated Loss	Total
(Unaudited)	-	13,351	89	1,151	(14,398)	193
Balance- January 1, 2022						
Exercise of options, see Note 4	-	74	-	-	-	74
Share based payment – Note 4	-	-	-	48	-	48
Comprehensive loss for the period	-	-	-	-	(222)	(222)
Balance - June 30, 2022	-	13,425	89	1,199	(14,620)	93
(Unaudited)						
Balance- January 1, 2021	-	12,328	89	1,123	(11,439)	2,101
Issuance of share capital, net of expenses	-	109	-	-	-	109
Share based payment	-	-	-	(38)	-	(38)
Comprehensive loss for the period	-	-	-	-	(531)	(531)
Balance- June 30, 2021	-	12,437	89	1,085	(11,970)	1,641
(Audited)						
Balance- January 1, 2021	-	12,328	89	1,123	(11,439)	2,101
Issuance of shares to a related party in payment of a payable	-	107	-	-	-	107
Conversion of a convertible loan		295	-	-	-	295
Proceeds from issued share capital, net of expenses	-	621	-	-	-	621
Share based payment	-	-	-	28	-	28
Comprehensive loss for the year	-	-	-	-	(2,959)	(2,959)
Balance- December 31, 2021	-	13,351	89	1,151	(14,398)	193

* An amount less than one thousand.

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

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. Dollars in thousands

	Six Months Ended June 30		Year Ended December 31
	2022	2021	2021
	Unaudited	Unaudited	Audited
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:			
Comprehensive loss	(222)	(531)	(2,959)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	211	366	549
Interest expense and exchange rate differences	(221)	33	(24)
Share-based payment expense	48	(38)	28
Inventory write down	-	-	381
Intangible assets impairment	-	-	801
Changes in assets and liabilities:			
Decrease (Increase) in inventories	(444)	97	(44)
Decrease (Increase) in trade receivables	34	395	450
Decrease (Increase) in other receivables	62	7	(79)
Increase in Income Tax Authorities	(1)	-	(1)
Increase (Decrease) in trade payables	72	(97)	81
Increase (Decrease) in other payables	(297)	(49)	435
Net cash provided by (used in) operating activities	(758)	183	(382)
CASH FLOWS FOR INVESTING ACTIVITIES:			
Purchases of property and equipment	(333)	(41)	(49)
Proceeds from sales of property, plant and equipment	-	-	-
Decrease (Increase) in short-term deposits	23	2	(4)
Purchase of intangible assets	(83)	(173)	(283)
Net cash used in investing activities	(393)	(212)	(336)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term bank credit, net	37	(24)	(1)
Receipt (Repayment) of Short-term loans from banks, net	(65)	176	183
Receipt of long-term loans	-	-	-
Receipt of convertible loans , net	-	-	1,251
Proceeds from (Repayment to) shareholders and related parties, net	(4)	50	77
Repayment of Leasehold liability	(80)	(67)	(137)
Repayment of long-term loans	(34)	(42)	(6)
Proceeds from issue of shares, net	74	-	621
Net cash provided by (used in) financing activities	(72)	93	1,988
Increase (Decrease) in cash and cash equivalents	(1,223)	64	1,270
Cash and cash equivalents at the beginning of the period	1,534	264	264
Cash and cash equivalents at the end of the period	311	328	1,534
Appendix A – Additional Information			
Interest paid during the period	(73)	(30)	(49)
Appendix B – Non-cash financing activities			
Issuance of shares to a related party in payment of debt	-	109	402
Non-cash additions to right-of-use assets and lease liabilities	418	629	-

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

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 1 - GENERAL INFORMATION

a. The Reporting Entity

1. t42 IoT Tracking Solutions PLC (formerly: Starcom PLC) ("the Company") was incorporated in Jersey on November 28, 2012.
The Group provides real-time tracking, security, and monitoring solutions for the global supply chain, logistics, container and freight market.

The Company fully owns Starcom G.P.S. Systems Ltd., an Israeli company that engages in the same field, and Starcom Systems Limited, a company in Jersey.

The Company's shares are admitted for trading on the London Stock Exchange's AIM market.

Address of the official Company office in Israel of Starcom G.P.S. Systems Ltd. is:
96 Derech Ramataim, Israel.

Address of the Company's registered office in Jersey of Starcom Systems Limited is:
Forum 4, Grenville Street, St. Helier, Jersey, Channel Islands, JE4 8TQ

b. Definitions in these financial statements:

1. International Financial Reporting Standards (hereinafter: "IFRS") – Standards and interpretations adopted by the International Accounting Standards Board (hereafter: "IASB") that include international financial reporting standards (IFRS) and international accounting standards (IAS), with the addition of interpretations to these Standards as determined by the International Financial Reporting Interpretations Committee (IFRIC) or interpretations determined by the Standards Interpretation Committee (SIC), respectively.
2. The Company – t42 IoT Tracking Solutions PLC (formerly: Starcom PLC)
3. The Subsidiaries – Starcom G.P.S. Systems Ltd. and Starcom Systems Limited.
4. Starcom Jersey – Starcom Systems Limited.
5. Starcom Israel – Starcom G.P.S. Systems Ltd.
6. The Group – t42 IoT Tracking Solutions PLC (formerly: Starcom PLC) and the Subsidiaries.
7. Related party – As determined by International Accounting Standard No. 24 in regard to related parties.

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 2 - BASIS OF PREPARATION AND CHANGE IN THE GROUP'S ACCOUNTING POLICIES

a. Basis of preparation

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2021 and for the year ended on that date and with the notes thereto.

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2021 are applied consistently in these interim consolidated financial statements.

b. Use of estimates and judgments

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

The judgment of management, when implementing the Group accounting policies and the basic assumptions utilized in the estimates that are bound up in uncertainties are consistent with those that were utilized to prepare the annual financial statements.

Information about critical judgment in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in the following Notes:

Note 5 - financial liabilities of convertible loans and warrants.

c. Exchange rates:

	Six Months Ended June 30		Year Ended
	2022	2021	December 31
			2021
Exchange rate of NIS in U.S. \$	0.286	0.306	0.322
Exchange rate of U.S. \$ in GBP	0.83	0.72	0.74
Change of NIS in U.S. \$	(11.27%)	(3.53%)	3.4%
Change of U.S. \$ in GBP	11.68%	(1.64%)	1.37%

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 3 - INTANGIBLE ASSETS, NET

	Total
	Unaudited
Cost:	
Balance as of January 1, 2022	1,718
Additions during the period	83
Balance as of June 30, 2022	1,801
Accumulated Depreciation:	
Balance as of January 1, 2022	(684)
Amortization during the period	(89)
Balance as of June 30, 2022	(773)
Impairment of assets	-
Net book value as of June 30, 2022	1,028

	Total
	Unaudited
Cost:	
Balance as of January 1, 2021	5,036
Additions during the period	173
Balance as of June 30, 2021	5,209
Accumulated Depreciation:	
Balance as of January 1, 2021	(2,934)
Amortization during the period	(262)
Balance as of June 30, 2021	(3,196)
Impairment of assets	(202)
Net book value as of June 30, 2021	1,811

	Total
	Audited
Cost:	
Balance as of January 1, 2021	5,036
Additions during the year	283
Impairment	(3,601)
Balance as of December 31, 2021	1,718
Accumulated Amortization:	
Balance as of January 1, 2021	(2,934)
Amortization during the year	(348)
Impairment	2,598
Balance as of December 31, 2021	(684)
Net book value as of December 31, 2021	1,034

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 4 - SHARE CAPITAL

- a. Composition – ordinary shares of no-par value, issued and outstanding – 53,026,822 shares and 52,526,822 shares as of June 30, 2022, and December 31, 2021, respectively.
- b. A Company share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.
- c. Weighted average number of shares used for calculation of basic and diluted loss per share:

	June 30 2022	June 30* 2021	December 31 2021
	Unaudited	Unaudited	Audited
Number	52,833,452	44,030,728	46,294,205

* The number of shares adjusted according to the shares consolidation as detailed in Note 4d below .

The following table lists the number of share options and warrants with the exercise prices of share options during the reported period:

	June 30, 2022		December 31, 2021	
	Unaudited		Audited	
	Number of options and warrants	Weighted average exercise price £	Number of options and warrants	Weighted average exercise price £
Share options and warrants outstanding at beginning of period	10,122,112	0.206	6,244,243	0.22
Share options or warrants granted during the period	-	-	4,322,869	0.17
Warrants exercised during the period	(500,000)	0.12	(445,000)	-
Share options or warrants expired during the period	(53,075)	0.12	-	-
Share options and warrants outstanding at end of period	9,569,037	0.211	10,122,112	0.206
Share options and warrants exercisable at end of period	9,239,370	0.204	9,127,829	0.207

- d. During November 2021 the Company held a general meeting which resulted with a decision to consolidated shares by a ratio of 1:8 ("shares consolidation").
- e. During March 2022 the Company's CEO, CFO, chairman and another employee exercised 500,000 warrants granted to them under a convertible loan they provided in March 2020. The warrants were exercised at a price of 12p per share as set out in the loan agreement, generating proceeds of £60,000.

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 5 - FINANCIAL LIABILITIES OF CONVERTIBLE LOANS AND WARRANTS

- a. During December 2021, The Company received loans from third parties totaling \$1,251 thousand (£925 thousand) in the form of convertible loans enabling the lenders to convert the loans at an exercise price of £0.15 per share at any time, under the limitations of the AIM Rules, Takeover Code and MAR regulations, up to December 31, 2023.
The convertible loans bear interest at the rate of 8% per annum calculated by reference to the principal amount of the convertible loans. If not converted, the loans will be repayable on December 31, 2023.

In addition, the lenders received fully vested warrants to subscribe a total of 1,541,667 further shares at an exercise price of £0.17 per share. Any unexercised warrants expire at the end of two-years from grant.

In addition, the lenders received fully vested warrants to subscribe a total of 1,541,667 further shares at an exercise price of £0.19 per share. Any unexercised warrants expire at the end of three-years from grant.

For the period ended June 30, 2022, the estimated fair values of the Warrants and the Convertible component were measured by an independent appraiser as follows,
The level of the fair value hierarchy is level two.

Common Stock Market Value measured in calculation \$0.15

	Period ended June 30, 2022
Expected term	1.5-2.5 years
Expected average volatility	40%
Expected dividend yield	-
Risk-free interest rate	0.245%

The loan was evaluated and divided into different components by an independent appraiser, the amounts as at June 30, 2022 are as follows:

Conversion component at fair value – \$215 thousand

Warrants at fair value – \$87 thousand

Amortized cost of a loan – \$824 thousand

Transaction costs were allocated according to the component's fair value ratio.

The part of the expenses that is attributed to the amortized cost of the loan was reduced from its cost.

An effective interest rate was calculated for the liability of the loan, based on its amortization table. The effective interest rate is 33% per annum.

Total revaluation expenses regarding these components in the statement of comprehensive loss for the reported period are set out below:

	<u>Loan component</u>	<u>Conversion component</u>	<u>Warrant</u>
Balance as of January 1, 2021	254	42	10
Additions during the year	857	279	115
Finance (income) expenses	56	(42)	(7)
Payments	(17)	-	-
Conversion	(293)	-	-
Balance as of December 31, 2021	857	279	118
Finance (income) expenses	(33)	(64)	(28)
Payments	-	-	-
Conversion	-	-	(3)
Balance as of June 30, 2022	824	215	87

T42 IOT TRACKING SOLUTIONS PLC (FORMERLY: STARCOM PLC)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 6 - SHAREHOLDERS AND RELATED PARTIES

- a. Related parties that own the controlling shares in the Group are:
Mr. Avraham Hartman (10.53%) and Mr. Uri Hartman (5.56%).

b. Short-term balances:

	<u>June 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
	<u>Unaudited</u>	<u>Unaudited</u>
		<u>Audited</u>
Credit balance		
Avi Hartmann	(15)	(38)
Uri Hartmann	(508)	(482)
Doron Kedem*	-	(173)
Total Credit balance	(523)	(693)
Loans		
Avi Hartmann	53	38
Uri Hartmann	(238)	(236)
Doron Kedem*	-	199
Total Loans	(185)	1
Total Short-term balances	(708)	(692)

* As of June 30, 2022, Mr. Doron Kedem is not considered a related party, and his balances are not included for this date.

c. Transactions:

	<u>Six Months Ended</u>	<u>Year Ended</u>
	<u>June 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
	<u>Unaudited</u>	<u>Audited</u>
Total salaries, services rendered and related expenses for shareholders	195	543
Total share-based payment expenses	2	22
Interest to related parties	5	10

NOTE 7 - COST OF SALES

	Six Months Ended June 30		Year Ended December 31
	2022	2021	2021
	Unaudited	Unaudited	Audited
Purchases and other	1,536	997	2,241
Amortization	89	262	348
Increase in Inventory	(444)	97	(44)
	<u>1,181</u>	<u>1,356</u>	<u>2,545</u>

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NOTE 8 - NET FINANCE (INCOME) EXPENSES

	Six Months Ended June 30		Year Ended December 31
	2022	2021	2021
	Unaudited	Unaudited	Audited
Exchange rate differences	292	63	(98)
Evaluation of Warrants and	96	(38)	-
Convertible component of loan			
Bank charges	(40)	(31)	(62)
Interest to banks and others	(40)	(43)	(55)
Interest to suppliers	-	(4)	(46)
Interest to related parties	(5)	(5)	(10)
Interest income from deposits	-	-	-
Net finance income (expenses)	<u>303</u>	<u>(58)</u>	<u>(271)</u>

NOTE 9 - SEGMENTATION REPORTING

Differentiation policy for the segments:

The Company's management has defined its segmentation policy based on the financial essence of the different segments. This refers to services versus goods, delivery method and allocated resources per sector.

On this basis, the following segments were defined: Hardware and SaaS.

Segment information regarding the reported segments:

	Hardware	SaaS	Total
Period Ended			
30.06.2022: (Unaudited)			
Segment revenues	1,086	1,091	2,177
Cost of sales	(1,056)	(125)	(1,181)
Gross profit	<u>30</u>	<u>966</u>	<u>996</u>
Period Ended			
30.06.2021: (Unaudited)			
Segment revenues	1,197	1,074	2,271
Cost of sales	(1,220)	(136)	(1,356)
Gross profit	<u>(23)</u>	<u>938</u>	<u>915</u>
Year Ended 31.12.2021:			
(Audited)			
Segment revenues	2,069	2,145	4,214
Cost of sales	(2,291)	(254)	(2,545)
Gross profit (loss)	<u>(222)</u>	<u>1,891</u>	<u>1,669</u>

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**NOTE 10- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTED PERIOD
(GLOBAL UNCERTAINTIES - COVID-19 AND UKRAINE WAR)**

The impacts of the COVID-19 pandemic are still being felt. There was a global component's shortage, increased purchasing costs and difficult shipping conditions which created additional costs and delays impacting the Group's ability to fully respond to the increased business demand. To meet this demand the Group has sourced additional components which will enable it to deliver additional products in H2 2022.

In addition, the Group also managed to take advantage of the opportunity of COVID-19's impact on freight movement and was able to conclude 3 significant distribution contracts which are expected to contribute significantly to revenues in the coming years.

During February 2022, the geo-political situation between Russia and Ukraine escalated, causing the shutdown of one of the Group's sub-contractor's production site. The Company managed to shift quickly to other manufacturers, but it did cause some short delays in the production process which resulted in a slowdown in onward deliveries of finished goods to our customers. The Company's general production abilities were unaffected.