The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended.

28 June 2023

t42 IoT Tracking Solutions plc

("t42" or the "Company")

Full year results

t42 IoT Tracking Solutions plc (AIM: TRAC) ("t42" or the "Company"), the provider of global shipping containers tracking solutions, is pleased to announce its results for the 12 months ended 31 December 2022.

Contacts:

t42 IoT Tracking Solutions PLC	
Michael Rosenberg, Chairman	07785 727595
Avi Hartmann, CEO	+972 5477 35663
Strand Hanson Limited (Nominated Adviser and Financial Adviser)	020 7409 3494
James Harris/ Richard Johnson/ Robert Collins	
Peterhouse Capital Limited	020 7469 0930
Lucy Williams/Charles Goodfellow/Eran Zucker	

Notes to Editors

t42 IoT Tracking Solutions plc (AIM: TRAC), formerly Starcom Systems plc, provides real-time tracking, analysis, monitoring, and security IoT solutions for the global container and freight market and covers 55 countries, over 100 distributors, and 50 logistics and support partners.

t42's multi-sensor IoT tracking devices use a wide range of detection capabilities with cloud-based analytics and alerts, with real-time data transmission, analysis, and actionable insights. Its devices are used by ports, cargo owners, shipping companies, freight forwarders, insurance companies, customs authorities, homeland security, and police for end-to-end global container tracking and digital transformation of shipments.

The Annual Report will be made available to shareholders shortly and be available from the Company's website at: www.t42.co.uk/.

CHAIRMAN'S STATEMENT

We are pleased to report the audited results of t42 for the year ended 31 December 2022: revenues were \$4.04m (2021: \$ 4.21m), gross margin was 42% (2021: 40%), and net losses after tax were reduced to \$1.01m (2021: \$2.96m).

A major contributing factor to these results, as stated in our trading update in February 2023, is the continuation of post-Covid and supply chain issues that have impacted our performance despite several successful trials of our technology by potential customers. We also experienced delays in the anticipated substantial orders from our LATAM distributor caused by local political disturbances but are hopeful that we will begin to see progress in the level of demand in the latter part of this year.

Looking forward to the remainder of 2023, we are targeting a significant improvement in revenues and gross margins. This optimism is based on several business vectors and improvements, which we initially highlighted last year. First, we have expanded in the USA with initial orders for Tetis units based on monthly payments for both devices and our software solutions. We see significant business potential in offering this innovative method to our product solutions and, assuming the required funding is available, we expect to deliver increased revenues by offering this payment solution in the USA and elsewhere.

Secondly, we have completed major software and hardware improvements to meet clients' needs and provide more holistic solutions, particularly in times of a global chip shortage. We have been working hard to make our products even better, faster, and more reliable. We are confident these improvements will make a real difference and help us stay ahead of the competition.

We have upgraded our entire product range to incorporate support for LTE Cat-1 (which has much better world-wide 4G coverage than previous devices with Cat-M1), as older generations of cellular networks are being phased out worldwide. We have moved our cloud infrastructure to Amazon Web Services (AWS), which will improve the operational capability of our products. Furthermore, we have added new features to our products, for example, new types of reports, dashboards, and improvements to our control center, and enhanced the security feature across our product range. These improvements are expected to reduce manufacturing costs, thus improving our gross margins.

Thirdly, in 2022, we introduced four new products to the market: Tetis R Connect (Tetis R with BLE 4.2 support for scanning external standalone sensors for temperature, humidity, etc.), the Lokies 2.0 (featuring a new design, BLE 5.2 support, a new CPU, and improved energy efficiency), the new iteration of our Helios TT device, and two new versions of Helios M (for 2G and 4G networks).

Finally, we have significantly expanded our presence at specialized exhibitions related to our technology while implementing multiple pilot schemes with new and existing customers. This has provided the opportunity to engage in pilot tests for our latest Lokies and Tetis products and receive valuable customer feedback.

We are already beginning to see the positive result of these improvements in the pipeline of potential business for the remainder of 2023, which gives us confidence in a considerable improvement in revenues and gross margin this year, with a second half weighting. We continue to benefit from the recurring income from software-as-a-service (SaaS) and expect this to increase further this year. As recently announced, we have secured an initial order of 1,000 units for our Lokies solution, with further orders anticipated. In addition, we are expectant that orders from Latin America (LATAM) will begin to materialize during 2023.

Although heavily focused on developing our presence in the container protection sector, we continue to progress in our traditional activity areas. Thus, during the year, we obtained additional orders for Helios Hybrid, one of t42's superior technology hardware products, combining GSM cellular and satellite communication. Our target market for this product is homeland security customers. We have secured additional orders within Africa with other superior Helios units.

We are now in the final stages of formalizing additional funding through a new $1.3m convertible loan stock with a third party. These funds, if secured, would meet our cash requirements in the medium term and enable the Company to fulfil existing orders in hand. The agreement has been approved by all parties and formal documents are in the process of being signed and the lender has committed to provide the funds, subject to completion. The Company expects significant further growth in orders over the next 12 months and should these be achieved, it may be necessary to review cash requirements to enable them to be fulfilled and to ensure the new leasing structure can be applied for future sales now being adopted for some clients.

FINANCIAL REVIEW

Group revenues for the year were $4.04m, compared with $4.21m for the year ended 31 December 2021, a decrease of 4%.

The gross margin for the year was approximately 42% compared with 40% for 2021.

Total operating expenditure for the year was $3.01m (2021: $3.98m),

Net loss after taxation for the year decreased to $1.01m compared with the 2021 net loss of $2.96m. The operating loss in the period was $1.37m, compared to an operating loss of $2.69m in 2021.

The Group recorded an exchange rate gain of $0.45m resulting from the weakness of the Israeli Shekel compared with the US dollar (2021: exchange rate loss of $0.1m).

The Group balance sheet showed a decrease in trade receivables to $0.49m, compared with $0.68m as at 31 December 2021.

Group inventories at the period end were $1.58m, compared to $1.79m as of the end of 2021.

Trade payables at the year-end were stable at $1.14m, compared with $1.55m as of 31 December 2021.

Net cash used in operating activities in the period was approximately $0.95m, compared with $0.38m for the year ended 31 December 2021.

As detailed in notes 10, 12, and 13 of this financial report, the Company has loans with a leading Israeli Bank. The financial covenants, as detailed in note 12, were breached at the quarter ending 31 December 2021. The Company and the bank monitor the position carefully, remain in close correspondence and work toward a solution.

OUTLOOK

We commenced the first quarter of 2023 with some new orders for our Tetis products using the new leasing structure and anticipate further take-up of this new financing methodology over the rest of 2023. Meanwhile, we expect that several of the pilot projects undertaken during 2022 will lead to orders being received during the remainder of year. Despite the slow progress of orders from LATAM, as set out above, we are expecting increased business in this area during the second half of 2023.

Overall, assuming additional funding is secured on a timely basis, we expect significant revenue and gross margin improvements during 2023. With increased funding available to us we also believe that previous constraints on growth due to supply chain issues will be less of a feature in our future business opportunities.

Michael Rosenberg OBE
Non-Executive Chairman

CORPORATE GOVERNANCE STATEMENT

General

The Board has adopted the QCA Corporate Governance Code ("the QCA Code"), further detail of which is set out on the Company's website. The following comments are intended to provide an update on the application of these guidelines where appropriate. The Company seeks to comply with the principles of the QCA Code that the Board considers appropriate, given the size and nature of the business. However, there may be certain cases where non-compliance is appropriate due to the nature of the business and its non-UK status, as explained further below.

Division of responsibilities

The T42 IoT Tracking Solutions PLC Board consists of four directors, two of whom are non-executive, including the Chairman. Although the Company is a relatively small company with a small board, the roles of Chairman and Chief executive are separate, clearly established roles, with a clear division of responsibilities between them.

The Chairman

The Chairman is responsible for the leadership of the Board. The Chairman sets the agenda for Board meetings and encourages an open and constructive debate. Since the Company is based in Tel Aviv, some Board meetings take place by conference call but normally at least two meetings a year take place physically in Israel with all Board members attending. The in-person Board meetings were suspended during the recent pandemic and restrictions on travel but now these have passed at least two physical Board meetings will be held in 2023. During 2022, a total of 9 Board meetings were held and all directors attended all meetings either in person or by conference call. There were 2 audit committee meetings held during the year under review, and all members of the committee attended. There was 1 remuneration committee meeting held during the year under review, which all members attended.

The Non-Executive directors

The Chairman is responsible for the leadership of the Board. The Chairman sets the agenda for Board meetings and encourages an open and constructive debate. Since the Company is based in Tel Aviv, some Board meetings take place by conference call but normally at least two meetings a year take place physically in Tel Aviv with all Board members attending.

Time Commitment

Each non-executive director is required to be able to devote sufficient time to his role as a director in the light of other commitments external to the Board. In practice, despite their limited contractual time obligations to the Board which in general are one or two days a month, the non-executive directors devote considerable time over and above their commitments to the Company in support of the other executive members of the Board. On average, they provide at least one day a week and sometimes more to assist the management. The executive directors are fully committed to the Company and spend as much time as is needed, both in normal working hours and very often much more.

The business model and strategy

The strategic objectives of the Company are becoming clear in the shipping container market. The Company's target is to reach each and every container and convert it into a transmitting data point. The Company is targeting to use the opportunity of the present global environment of supply chain challenges and logistics costs in order to penetrate the mass market. The Company's legacy products and experience will support the business to challenge this market and provide a comprehensive solution.

To understand and meet shareholder needs and expectations

The Board keeps in regular contact with investors with a view to understanding their needs and expectations. During 2022, with the assistance of the Company's brokers, presentations were made to a number of investors and further presentations are planned together with the release of these financial statements. In addition, the Board welcomes contact from investors via the Company's brokers, PR firm and via the website. In normal times shareholders are encouraged to attend the Company's Annual General Meetings where they can meet and directly communicate with the Board.

Taking into account wider stakeholder and social responsibilities and their implications for long-term success

The Company's tracking products are sold via distributors; therefore, the Company has little influence over individual product sales. Therefore, although the Company continues to monitor performance of its distribution network, it is not generally in touch with end users and has limited influence over the processes followed by distributors. However, the Board constantly reviews the distribution network by measuring the performance of individual distributors. Where products are manufactured by external firms, the Company regularly inspects the production facilities and processes used.

The Board is committed to reviewing and assessing stakeholder expectations and guides the Company's senior management to act in accordance with feedback received.

Embed effective risk management

The Board is fully aware of, and monitors closely, the risks that may apply to the business. These include counterparty credit risk, foreign exchange risk and, from time to time, political risks in countries where the Company is actively marketing its products. It is also influenced by the covenants imposed by its bankers on credit risk for certain countries. Operational risks are identified and assessed by management and are reported to the Board when necessary. The Audit Committee also addresses these risks at its regular meetings. During 2022, management has actively been seeking to widen the manufacturing bases for the Company's products so as to lessen reliance on any single manufacturer, thus minimizing risk to the business. In order to monitor risk, regular visits are made to the manufacturing facility and the Board is informed of any issues that need addressing. The key risks facing the Company together with any mitigation taken are considered further on pages 10-11 of this document.

Ensure that the directors have the necessary up-to-date experience and skills

The Board currently comprises of two executive and two non-executive directors with an appropriate balance of sector, financial and public market skills, and experience. The experience and knowledge of each of the directors gives them the ability to constructively challenge strategy and to scrutinise performance. In addition, the Chairman, Michael Rosenberg, brings further strategic, commercial, transaction and leadership experience which will be invaluable as the Board pursues the Company's growth strategy and continues to transform the Company.

Ethical matters

As a small company, the directors are constantly in touch with members of the staff. There are 20 members based in the office in Israel and their needs and aspirations are regularly reviewed.

Main governance structures and processes

The Chairman, Michael Rosenberg, has responsibility for ensuring proper corporate governance and can also rely on the support of the CFO, Mr Vatenmacher, who is also very familiar with corporate governance requirements.

Further information on the Board and its Committees:

Michael Rosenberg OBE *(Non-Executive Chairman)*

Michael has many years of experience both as a corporate financier and as an entrepreneur, involved in a number of new businesses in the healthcare, media and financial sectors. He has considerable global experience, having been chairman of the UK DTI committee on trade with Hong Kong and as member of the China Britain Business Council. He was, for many years, also chairman of the British Export Healthcare Association, now known as ABHI, and led a number of UK trade missions overseas. He was a founder of the investment bank now known as Numis Securities where he served as chairman for a number of years until his retirement in 1999.

Over many years he has also served on the boards of other Israeli companies listed on AIM, including Pilat Media Global PLC, as well as several other non-listed companies.

Avi Hartmann *(Chief Executive Officer)*

Avi has spent his life as an entrepreneur focused on the technology of tracking systems. He was a founder of Mobiltel Communications Services, which was purchased by Pelephone in Israel in 1999. Together with his son, Uri Hartmann, and his then partner, Doron Kedem, he founded t42 IoT Tracking Solutions PLC in 2004.

Martin Blair *(Non-Executive Director)*

Martin qualified as a chartered accountant with Ernst & Young in 1982 and between 1983 and 1986 also worked for PwC. He then spent 15 years in a variety of senior financial roles, primarily for media and technology companies, both in UK and the US. Martin became the CFO for Pilat Media Global PLC, a company which previously traded on both AIM and the Tel Aviv Stock Exchange. Pilat Media Global developed, marketed and supported new generation business management software solutions for content and service providers in the media industry. Martin is also currently a non-executive director and Chairman of the audit committees at Kape Technologies PLC (AIM: KAPE) and Cake Box Holdings PLC (AIM: CAKE).

Igor Vatenmacher *(Chief Financial Officer)*

Igor is a certified public accountant in Israel and has a Bachelor's degree in Economics from Ben Gurion University of the Negev, and an executive MBA degree with honours, specializing in financing, banking, capital markets and financial engineering, from the Hebrew University in Jerusalem. He began his career with Ernst and Young. Igor joined t42 IoT Tracking Solutions PLC in December 2017 and brings highly qualified accounting experience to the Company, and, since his appointment, has assisted with the development of more sophisticated internal systems and controls essential to the growth of the business. He joined the Board of the Company in January 2019.

Audit Committee

The Audit Committee consists of the non-executive directors, Martin Blair and Michael Rosenberg, and is chaired by Martin Blair. The Audit Committee, inter alia, determines and examines matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the annual audit. The Audit Committee met twice during 2022. In March 2022 the Audit Committee reviewed the financial statements for the year ended 31 December 2021, paying particular attention to the valuation of stock and the level of debtors with a view to making provisions where necessary. The Audit Committee met in September 2022 to consider the interim financial statements for the six months ended 30 June 2022. Again, the Committee focused on stock valuation and debtor levels, as well as the reported gross margin. The Board considers that, given the size and nature of the business, it is not beneficial to include a full audit committee report in the annual report and accounts for 2022. This will be kept under annual review by the Board.

The Remuneration Committee reviews the performance of the directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The committee meets as and when necessary to assess the suitability of candidates proposed for appointment by the Board, but not less than once per annum. Members of the remuneration committee comprise Michael Rosenberg, who acts as chairman of the committee, with Martin Blair as a member.

The Board considers that, given the size and nature of the business, it is not beneficial to include a remuneration committee report in the annual report and accounts for 2022. This will be kept under annual review by the Board.

On behalf of the board,

M. Rosenberg, Chairman

t42 IoT Tracking Solutions PLC

Directors' Report

for the Year Ended December 31, 2022

The directors present the annual report together with the financial statements and auditors' report for the year ended December 31, 2022.

The Company was incorporated in Jersey and two wholly-owned trading subsidiaries: Starcom Systems Limited and t42 Limited, were incorporated in Jersey and in Israel, respectively.

Principal activities and review of business

The Group's principal activity is in the development of wireless solutions for the remote tracking, monitoring and protection of various types of assets and people. Further information on the results of the Group for the period under review can be found in the Chairman's Statement.

Accounts production

The financial statements for the year ended December 31, 2022, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Dividends

The directors do not propose a final dividend.

Directors

Michael Rosenberg	Appointed February 2013
Avi Hartmann	Appointed February 2013
Igor Vatenmacher	Appointed January 2019
Martin Blair	Appointed May 2019

Remuneration of Directors

Remuneration of directors for the year ending 31 December 2022: (All amounts presented in thousands of USD)

Executive Director	**Salary**	**Pension and Related Expenses**	**Fees**	**Total**
A Hartmann	186	14	-	200
I Vatenmacher	127	26	-	153
Non-Executive Directors				
M Rosenberg	-	-	50	50
M Blair	-	-	45	45
Total 2022	**313**	**40**	**95**	**448**

Directors' remuneration in share options: (In thousands)

Executive Director	Total vested at 01/01/22	Exercised	Vested/ (Expired) during the year	Total Vested at 31/12/22	Total un-vested at 31/12/22	Grant Total
A Hartmann	1,199	(200)	83	1,082	83	1,165
I Vatenmacher	258	(50)	84	292	83	375
Non-Executive Directors						
M Rosenberg	1,200	(200)	182	1,182	-	1,182
M Blair	458	-	157	615	-	615

Further details regarding the grants are detailed in note 14 within the financial reports. Some of the directors were also issued warrants as a part of the loan they provided to the Company, as detailed in notes 11 and 14 within the financial report.

Charitable and Political Donations

The Group did not make any charitable or political contributions during the year.

Corporate governance

The Company adopts the Quoted Company Alliance’s (QCA) Corporate Governance Code (“QCA Code”) and the Board believes this is the appropriate code for the Company to adhere to. The Board assesses its compliance with the QCA Code on an annual basis.

In common with other organizations of a similar size, the executive directors are heavily involved in the day to day running of the business and meet regularly on an informal basis as well as at Board Meetings.

The Board of directors meets regularly and is responsible for formulating strategy, monitoring financial performance and approving major items of capital expenditure.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law, the directors are required to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit and loss of the Group for that period.

In preparing each of the Group and parent Company financial statements, the directors are required to:

i) Select suitable accounting policies and then apply them consistently;
ii) Make judgments and accounting estimates that are reasonable and prudent; and

iii) State whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the parent Company financial statements; and prepare the financial statements on the "going concern" basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulations. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and parent Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report to comply with that law and those regulations.

In determining how amounts are presented within terms in the income statement and balance sheet, the directors have regarded the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

There is no relevant audit information of which the Company's auditors are unaware; and

The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern

The directors have prepared and reviewed sales forecasts and budgets for the next twelve months and, having considered these cash flows and the availability of other financing sources if required, have concluded that the Group will remain a "going concern." After this process and having made further relevant enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the "going concern" basis in preparing the accounts.

Risks

Foreign exchange risks

Most of the Group’s sales and income are in US Dollars and the US Dollar is the currency in which the Company reports. The expenses, however, are divided between the US Dollar and the Israeli Shekel. The cost of goods (components) are paid in US Dollars and part of the operational costs, such as rent and other service providers, quote their fees in Israeli Shekel. Labor costs are paid in Israeli Shekels. The Company has, therefore, a partial currency risk in the event that the Israeli Shekel strengthens against the US Dollar, which could have an effect on the bottom line of the Group's financial results.

The Group consults with foreign currency experts from main Israeli banks regarding the main financial institutions' expectations for foreign currency changes. Management reviews them carefully and will consider with the board whether it should purchase financial instruments sold by local banks to protect itself from this foreign exchange risk. <u>There are no financial instruments in use at the date of this report</u>.

Interest Rate Risks

The Company is exposed to interest risks as it uses credit lines and loans from its banks. Changes in the effective Prime interest rate published monthly by the Bank of Israel can influence the Company's financing costs.

Credit Risk

The Group is exposed to credit risks if its customers fail to pay for goods supplied by the Group. In order to minimize this risk, the Group has a policy of:

(a) Selling only to respectable integrators and distributors and not to the end customer.

(b) Orders from customers in certain regions are shipped only after an approved letter of credit is received by the Group's bank.

(c) New customers in common pays at least 30% before initial shipping.

Capital Risk management

The Group manages its cash carefully. In order to reduce its risk, the Group may take measures to reduce its fixed costs (labor) if performance is below the directors’ expectations. The Group may conduct a placing for new shares of the Company in order to raise additional capital as required when monitoring its performance, and to continue its operations.

Supplier payment policy

It is the Group's policy to settle the terms of payment with suppliers when agreeing to the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

CREST

The Company's ordinary shares are eligible for settlement through CREST, the system for securities to be held and transferred in electronic form rather than on paper. Shareholders are not obliged to use CREST and can continue to hold and transfer shares on paper without loss of rights.

Auditors

A resolution reappointing Barzily as the Group’s auditors will be proposed at the AGM in accordance with S485 of the Companies Act 2006.

Electronic Communications

The Company may deliver shareholder information, including Annual and Interim Reports, Forms of Proxy and Notices of General Meetings, in an electronic format to shareholders.

If you would like to receive shareholder information in electronic format, please register your request on the Company's Registrar's electronic database at www.linkassetservices.com. You will initially need your unique investor code which you will find at the top of your share certificate. There is no charge for this service. If you wish to subsequently change your mind, you may do so by contacting the Company's Registrars by post or through their website.

If you elect to receive shareholder information electronically, please note that it is the shareholder's responsibility to notify the Company of any change in his name, address, email address or other contact details. Shareholders should also note that, with electronic communication, the Company's obligations will be satisfied when it transmits the notification of availability of information, or such other document as may be involved, to the electronic address it has on file. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can be held responsible for postal failure.

In the event of the Company becoming aware that an electronic notification is not successfully transmitted, a further two attempts will be made. In the event that the transmission is still unsuccessful, a hard copy of the notification will be mailed to the shareholder. In the event that specific software is required to access information placed on the Company's website, it will be available via the website without charge.

Before electing for electronic communications, shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for this purpose. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out but cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company that is found to contain any virus will not be accepted.

Shareholders wishing to receive shareholder information in the conventional printed form will continue to do so and need take no further action.

Should you have any further questions in this regard, please contact the Company's Registrars, Share Registrars Limited.

On behalf of the board,

M. Rosenberg, Chairman

Barzily&Co.
Certified Public Accountants
ברזלי ושות', רואי חשבון

Jerusalem 27 June 2023

Report of Independent Auditors

to the Board of Directors and Stockholders of

t42 IoT Tracking Solutions PLC

We have audited the accompanying consolidated statements of financial position of t42 IoT Tracking Solutions PLC and its subsidiaries (hereinafter - "the Group") as of December 31, 2022 and 2021 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Group board of directors and management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Israeli Auditors' Regulations (Auditor's Mode of Performance - 1973). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 and the consolidated results of its operations, changes in equity and cash flows for the years then ended in conformity with international financial reporting standards (IFRS).

Without qualifying our conclusion, we draw attention to Note 25 in the financial statements regarding the Company's efforts to raise additional funds.

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

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. Dollars in thousands

	Note	December 31, 2022	December 31, 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	546	299
Rights-of-use assets, net	22	981	690
Intangible assets, net	7	1,021	1,034
Income tax authorities		57	57
Total Non-Current Assets		2,605	2,080
CURRENT ASSETS			
Cash and cash equivalents		174	1,534
Short-term bank deposit	5	130	154
Trade receivables, net	3B	488	679
Other accounts receivable	3A	71	160
Inventories	4	1,581	1,790
Total Current Assets		2,444	4,317
TOTAL ASSETS		5,049	6,397
EQUITY /(DEFICIT) AND LIABILITIES			
EQUITY /(DEFICIT)	14	(538)	193
NON-CURRENT LIABILITIES			
Long-term loans from banks, net of current maturities	10	142	239
Long-term leasehold liabilities	22	790	558
Warrants at fair value	11	-	115
Conversion component of a convertible loan at fair value	11C	27	279
Amortized cost of a convertible loan	11C	292	857
Total Non-Current Liabilities		1,251	2,048
CURRENT LIABILITIES			
Short-term bank credit		42	24
Short-term bank loan	12	719	922
Current maturities of long-term loans from banks	10	70	76
Trade payables		1,144	1,553
Other accounts payable	9	260	738
Leasehold liabilities	22	112	148
Conversion component of a convertible loan at fair value	11A	7	-
Amortized cost of a convertible loan	11A,B	1,161	-
Warrants at fair value	11A,B	77	3
Related parties	20	744	692
Total Current Liabilities		4,336	4,156
TOTAL EQUITY /(DEFICIT) AND LIABILITIES		5,049	6,397

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

_______, 2023		
Date of Approval of the Financial Statements	Igor Vatenmacher CFO	Avi Hartmann CEO

T42 IOT TRACKING SOLUTIONS PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. Dollars in thousands (except shares data)

	Note	**Year ended December 31, 2022**	**2021**
Revenues		4,041	4,214
Cost of sales	15	(2,358)	(2,545)
Inventory write-down		-	(381)
Gross profit		1,683	1,288
Operating expenses:			
Research and development		(125)	(223)
Selling and marketing		(652)	(609)
General and administrative expenses	16	(2,250)	(2,388)
Other expenses		(29)	(756)
Total operating expenses		(3,056)	(3,976)
Operating loss		(1,373)	(2,688)
Finance income	18A	814	49
Finance expenses	18B	(447)	(320)
Net finance income (expenses)		367	(271)
Total comprehensive loss for the year		(1,006)	(2,959)
Loss per share:			
Basic and diluted loss per share	14, 19	(0.019)	(0.064)

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

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
U.S. Dollars in thousands

	Share Capital	Premium on Shares	Capital Reserve	Capital Reserve in Regard to Share-Based Payment Transactions	Accumulated Loss	Total
Balance as of January 1, 2021	-	12,328	89	1,123	(11,439)	2,101
Issuance of shares to a related party in payment of payable (see Note 14c)	-	107	-	-	-	107
Conversion of convertible loan (see Note 11b)	-	295	-	-	-	295
Issued share capital, net of expenses (see Note 14d)	-	621	-	-	-	621
Share based payment (see Note 14f)	-	-	-	28	-	28
Comprehensive loss for the year	-	-	-	-	(2,959)	(2,959)
Balance as of December 31, 2021	-	13,351	89	1,151	(14,398)	193
Issuance of share capital (net of expenses)		180				180
Share based payment				95		95
Comprehensive loss for the year					(1,006)	(1,006)
Balance as of December 31, 2022	-	13,531	89	1,246	(15,404)	(538)

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

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. Dollars in thousands

	Year Ended December 31,	
	2022	**2021**
CASH FLOWS FOR OPERATING ACTIVITIES:		
Loss for the year	(1,006)	(2,959)
Adjustments to reconcile loss for the year to net cash used in operating activities:		
Depreciation and amortization	437	549
Interest expenses and exchange rate differences	(374)	(24)
Share-based payment expense	95	28
Inventory write down	-	381
Intangible Assets impairment	-	801
Capital gain	(24)	-
Changes in assets and liabilities:		
Decrease (Increase) in inventories	209	(44)
Decrease in trade receivables, net	191	450
Decrease (Increase) in other accounts receivable	89	(79)
Increase in Income Tax Authorities	-	(1)
Increase (Decrease) in trade payables	(90)	81
Increase (Decrease) in other accounts payable	(478)	435
Net cash used in operating activities	(951)	(382)
CASH FLOWS FOR INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(318)	(49)
Increase (decrease) in short-term deposits	24	(4)
Cost of intangible assets	(166)	(283)
Net cash used in investing activities	(460)	(336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of short-term bank credit, net	(152)	(1)
Receipt of short-term bank loan, net	-	183
Receipt of convertible unsecured loans, net	250	1,251
Proceeds from related parties, net	28	77
Payment for leasehold liabilities	(174)	(137)
Receipt of short-term loans		-
Repayment of long-term loans	(81)	(6)
Consideration from issue of shares, net	180	621
Net cash provided by financing activities	51	1,988
Increase in cash and cash equivalents	(1,360)	1,270
Cash and cash equivalents at the beginning of the year	1,534	264
Cash and cash equivalents at the end of the year	174	1,534
Appendix A – Additional Information		
Interest paid during the year	251	(49)
Appendix B – Non-Cash Financing Activities		
Issuance of shares to a related party in payment of debt balance and convertible loans	-	402
Issuance of a convertible loan note in lieu of settlement of a supplier debt	319	-

Significant non-cash transactions (entering into new lease agreements) are disclosed in Note 22

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

NOTE 1 - GENERAL

a. The Reporting Entity

1. t42 IoT Tracking Solutions PLC ("the Company") was incorporated in Jersey on November 28, 2012. The Company and its subsidiaries ("the Group") specializes in easy-to-use practical wireless solutions that combine advanced technology, telecommunications and digital data for the protection and management of people, fleets of vehicles, containers and assets. The Group engages in production, marketing, distribution, research and development of G.P.S. systems.

   See Note 25 regarding the Company's efforts to raise additional funds.

   The Company fully owns t42 Ltd., an Israeli company, and Starcom Systems Limited, a company incorporated in Jersey.

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

   The address of the official Company office in Israel of t42 IoT Tracking Solutions is: 96 Dereh Ramatayim Street, Hod Hasharon, Israel.

   The 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 ("IFRS") – Standards and interpretations adopted by the International Accounting Standards Board ("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.
3. The Subsidiaries - t42 Ltd. and Starcom Systems Limited.
4. Starcom Jersey – Starcom Systems Limited.
5. Starcom Israel – t42 Ltd.
6. The Group – t42 IoT Tracking Solutions PLC. and the Subsidiaries.
7. Related Party - As determined in International Accounting Standard No. 24.

NOTE 1 - GENERAL (cont.)

c. Operating Turnover Period

The ordinary operating period turnover for the Group is a year. As a result, the current assets and current liabilities include items that are expected and intended to be realized at the end of the ordinary operating turnover period for the Group.

d. Functional and Presentation Currency

The consolidated financial statements are presented in U.S. dollars (hereinafter: "dollars") that is the functional currency of the Group and is rounded to the nearest thousands, except when otherwise indicated.
The dollar is the currency that represents the economic environment in which the Group operates.
The Group's transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars. All transaction gains and losses from remeasurement of monetary assets and liabilities denominated in non-dollar currencies are reflected in the statements of comprehensive income as financial income or expenses, as appropriate.

NOTE 2A - BASIS OF PREPARATION

a. Declaration in regard to implementation of International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Company have been prepared in accordance with IFRS and related clarifications published by the IASB.

The Company's board of directors authorized the 2022 Consolidated Financial Statements on 27 June, 2023.

b. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss that are stated at fair value.

U.S. Dollars in thousands

NOTE 2B - USE OF ESTIMATES AND JUDGMENTS

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

Upon formulation of accounting estimates used in preparation of the Group financial statements, management is required to make assumptions in regard to circumstances and events that are significantly uncertain. Management arrives at these decisions based on prior experiences, various facts, external items and reasonable assumptions in accordance with the circumstances related to each assumption.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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 7 – Capitalization of development costs and amortization of these costs.
Note 14 – Options issued.

Information about assumptions and estimations that have significant risk of resulting in a material adjustment is included in the following Notes:
Note 3B – Allowance for doubtful accounts.
Note 7 – Calculation of amortization and impairments.
Note 8 – Utilization of tax losses.
Note 11 – Financial liabilities of convertible loans and warrants

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

All intra-Group transactions, balances, income and expenses of the companies are eliminated on consolidation.

b. Foreign currency and linkage basis

Balances stated in foreign currency or linked to a foreign currency have been included in the consolidated financial statements according to the prevailing representative exchange rates at the balance sheet date. Balances linked to the Consumer Price Index in Israel are included in accordance with the Index published prior to balance sheet date. Linkage and exchange rate differences are included in the statement of comprehensive income when incurred.

	As of December 31,	
	2022	**2021**
CPI (in points) *	134.39	127.67
Exchange Rate of NIS in U.S. $	0.284	0.322
Exchange Rate of GBP in U.S. $	1.204	1.351
	For the Year Ended December 31,	
	2022	**2021**
Change in CPI	5.26%	2.8%
Change in Exchange Rate of U.S. $	(11.6%)	3.4%
Change in Exchange Rate of GBP	(0.1%)	(0.01%)

* Base Index 2002 = 100.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

c. Financial instruments

(i) Financial assets
The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classified financial assets at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

Financial assets at fair value through profit or loss:
A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition, as well this category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.
(Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy.)
Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognized in profit or loss.

Financial assets at amortised cost (debt instruments):
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.
Loans and receivables are comprised of trade and other receivables, excluding short - term trade and other receivables where the interest amount is immaterial.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

c. Financial instruments (cont.)

(ii) Non-derivative financial liabilities
The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Compound financial instruments and warrants at fair value
Compound financial instruments issued by the Company comprise with an interest-bearing loan and conversion options issued to lenders

The option component of liabilities that are not denominated in foreign currency or are linked to the CPI or to foreign currency is recognized initially as an equity component at its fair value using a binomial calculation

The liability components are recognized initially as the difference between the loan amount and the option component.

Any directly attributable transaction costs are allocated to the liabilities and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Liabilities that are convertible into shares denominated in foreign currency or are linked to the CPI or to foreign currency are presented fully as a financial liability.

The instrument is split into two components for measurement purposes: A liability component without a conversion future that is measured at amortized cost according to the effective interest method, and a conversion option that is an embedded derivative and is measured at fair value at each reporting date.

As well, warrants issued by the Company that are convertible into shares denominated in foreign currency or that are linked to the CPI or to foreign currency are also presented as a financial liability which is measured at fair value at each reporting date.

Interest related to the financial liabilities is recognized in profit or loss.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

e. Share capital

Ordinary shares:

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

f. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and software	33
Office furniture and equipment	7 – 15
Vehicles	15
Laboratory equipment	15
Rights-of-use assets	10

Leasehold improvements are depreciated by the straight-line method over the term of the lease, ten-year period, (including option terms) or the estimated useful lives of the improvements, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

At each balance sheet date, the Group examines the residual value, the useful life and the depreciation method it uses. If the Group identifies material changes in the expected residual value, the useful life or the future pattern of consumption of future economic benefits in the asset that may indicate that a change in the depreciation is required, such changes are treated as changes in accounting estimates. In the reported periods, no material changes have taken place with any material effect on the financial statements of the Group.

g. Intangible assets: Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

g. Intangible assets: Research and development (cont.)

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets: ten years.

At each balance sheet date, the Group reviews whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of the intangible assets. When such indicators of impairment are present, the Group evaluates whether the carrying value of the intangible asset in the Group's accounts can be recovered from the cash flows anticipated from that asset, and, if necessary, records an impairment provision up to the amount needed to adjust the carrying amount to the recoverable amount.

h. Short-term deposit

Deposits with maturities of more than three months but less than one year are included in short-term deposits.

i. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1. *Right-of-use assets*

   The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

   Property – 10 years (5 years prior year)

   Vehicles - 3 years

   If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

   The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2C(k).

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

i. Leases (cont.)

2. *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as an expense on a straight-line basis over the lease term.

j. Inventories

Inventories are stated at the lower of cost or net market value.
Cost is determined using the "first-in, first -out" method.
Inventory write-downs are provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories, and discontinued products and for market prices lower than cost, if any. At the point of loss recognition, a new lower cost basis for that inventory is established.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

k. Impairment in value of assets

During every financial period, the Group examines the book value of its tangible and intangible assets to determine any signs of loss from impairment in value of these assets. In the event that there are signs of impairment, the Group examines the realization value of the designated asset. In the event that the realization cannot be measured for an individual asset, the Group estimates realization value for the unit where the asset belongs. Joint assets are assigned to the units yielding cash on the same basis. Joint assets are designated to the smallest groups of yielding assets for which one can identify a reasonable basis that is consistent with the allocation.

The realization value is the higher of net sale price of the asset as compared with its useful life that is determined by the present value of projected cash flows to be realized from this asset and its realization value at the end of its useful life.
In the event that the book value of the asset or cash-yielding unit is greater than its realization value, a devaluation of the asset has occurred in the amount of the difference between its book value and its realization value. This amount is recognized immediately in the statements of comprehensive income.

In the event that prior devaluation of an asset is nullified, the book value of the asset or of the cash-yielding unit is increased to the estimated current fair value, but not in excess of the asset or cash-yielding unit book value that would have existed had there not been devaluation. Such nullification is recognized immediately in the statements of comprehensive income.

l. Revenue recognition

The Group generates revenues from sales of products, which include hardware and software, software licensing, professional services and maintenance. Professional services include mainly installation, project management, customization, consulting and training. The Group sells its products indirectly through a global network of distributors, system integrators and strategic partners, all of whom are considered end-users, and through its direct sales force.

Revenue from products and software licensing is recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable and collectability is probable.
Revenues from maintenance and professional services are recognized ratably over the contractual period or as services are performed, respectively.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

m. Allowance for expected credit losses

The Group evaluates its allowance for doubtful accounts on a regular basis through periodic reviews of the collectability of the receivables in light of historical experience, adverse situations that may affect the repayment abilities of its customers, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Group performs ongoing credit evaluations of its customers and generally does not require collateral because (1) management believes it has certain collection measures in-place to limit the potential for significant losses, and (2) because of the nature of its customers that comprise the Group's customer base. Receivables are written off when the Group abandons its collection efforts. An allowance for doubtful accounts is provided with respect to those amounts that the Group has determined to be doubtful of collection.

n. Concentrations of credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, short-term deposits and trade receivables.

o. Provisions

Provisions are recognized when the Group has a current obligation (legal or derived) as a result of a past occurrence that can be reliably measured, that will in all probability result in the Group being required to provide additional benefits in order to settle this obligation. Provisions are determined by capitalization of projected cash flows at a rate prior to taxes that reflects the current market preparation for the money duration and the specific risks for the liability.

p. Employee benefits

The Group has several benefit plans for its employees:

1. Short-term employee benefits -
   Short-term employee benefits include salaries, vacation days, recreation and deposits to the National Insurance Institute that are recognized as expenses when rendered.
2. Benefits upon retirement -
   Benefits upon retirement, generally funded by deposits to insurance companies and pension funds, are classified as restricted deposit plans or as restricted benefits.
   All Group employees have restricted deposit plans, in accordance with Section 14 of the Severance Pay Law (Israel), whereby the Group pays fixed amounts without bearing any legal responsibility to pay additional amounts thereto even if the fund did not accumulate enough amounts to pay the entire benefit amount to the employee that relates to the services he rendered during the current and prior periods. Deposits to the restricted plan are classified as for benefits or for compensation and are recognized as an expense upon deposit to the plan concurrent with receiving services from the employee and no additional provision is required in the financial statements.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

q. Finance income and expenses

Finance income includes interest in regard to invested amounts, changes in the fair value of financial assets presented at fair value in the statements of comprehensive income and gains from changes in the exchange rates and interest income that are recognized upon accrual using the effective interest method.
Finance expenses include interest on loans received, changes in the time estimate of provisions, changes in the fair value of financial assets presented at fair value in the statements of comprehensive loss and losses from changes in value of financial assets.
Gains and losses from exchange rate differences are reported net. Exchange rate differences in regard to issuance of shares are charged to equity.

r. Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same Tax Authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

r. Taxes (cont.)

Since there is uncertainty in regard to existence of taxable revenues in the near future, a deferred tax asset was not recognized.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit (taxes on income) will be realized.

s. Basic and Diluted Earnings per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding during each year.

Diluted earnings per share are computed based on the weighted average number of common shares outstanding during each year, plus dilutive potential common shares considered outstanding during the year.

t. Statement of cash flows

The statement of cash flows from current operations is presented using the indirect method, whereby interest amounts paid and received by the Group are included in the cash flows in current operations.

u. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

v. Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax.

w. Government grants

A government grant is not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received. The Group received government grants, the nature of which is compensation for a decrease in revenues, the Group decided to record the grants received by the Government of Israel as revenues.

NOTE 2D - CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There were no new standards or amendments that are relevant for the Group which are effective for annual periods beginning on or after 1 January 2022.The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

U.S. Dollars in thousands

NOTE 3A - OTHER ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
Government institutions	58	130
Prepaid expenses	13	30
	71	160

NOTE 3B - TRADE RECEIVABLES, NET

	December 31	
	2022	2021
Group receivables	938	1,176
Allowance for credit losses	(450)	(497)
	488	679

NOTE 4 - INVENTORIES

	December 31	
	2022	2021
Raw materials	1,122	1,117
Finished goods	459	673
	1,581	1,790

NOTE 5 - SHORT-TERM BANK DEPOSIT

The bank deposit sums of $130 and $154 as of December 31, 2022 and 2021, respectively, serve as a security deposit for repayment of bank loans in accordance with terms of the loans. The deposit bears yearly interest at the rate of 0.02%.

U.S. Dollars in thousands

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

	Computers and Software	Office Furniture and Equipment	Laboratory Equipment	Leasehold Improvements	Vehicles*	Total
Cost:						
Balance as of January 1, 2022	218	131	297	71	156	873
Additions during the year	22	25	2	269	-	318
Balance as of December 31, 2022	240	156	299	340	156	1,191
Accumulated Depreciation:						
Balance as of January 1, 2022	188	101	149	29	107	574
Depreciation during the year	15	8	32	2	14	71
Balance as of December 31, 2022	203	109	181	31	121	645
Net book value as of December 31, 2022	37	47	118	309	35	546

	Computers and Software	Office Furniture and Equipment	Laboratory Equipment	Leasehold Improvements	Vehicles*	Total
Cost:						
Balance as of January 1, 2021	200	127	285	60	152	824
Additions during the year	18	4	12	11	4	49
Balance as of December 31, 2021	218	131	297	71	156	873
Accumulated Depreciation:						
Balance as of January 1, 2021	177	93	123	23	90	506
Depreciation during the year	11	8	26	6	17	68
Balance as of December 31, 2021	188	101	149	29	107	574
Net book value as of December 31, 2021	30	30	148	42	49	299

* See also Note 13.

U.S. Dollars in thousands

NOTE 7 - INTANGIBLE ASSETS, NET

	Total
Cost:	
Balance as of January 1, 2022	1,718
Additions during the year	166
Balance as of December 31, 2022	1,884
Accumulated Amortization:	
Balance as of January 1 ,2022	
Amortization during the year	(684)
Balance as of December 31, 2022	(179)
	(863)
Net book value as of December 31, 2022	1,021

	Total
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)
Accumulated Impairment of assets	1,034
Net book value as of December 31, 2021	1,034

The expenditure capitalized includes the cost of materials and direct labor that are directly attributable to preparing the assets for their intended use. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.
Amortization is calculated using the straight-line method over the estimated useful lives of the assets: ten years.

* The Group is undergoing a significant change in its business model and new branding. As part of the process management has review edits current product portfolio in order to focus on those products developed in the past that management believes have the potential for the future. Accordingly, it has decided to impair some of its products, which, as of July 1st 2021, amounted to $801 thousand, net of accumulated amortization.

See also Note 2C g and Note 2C k.

U.S. Dollars in thousands

NOTE 8 - TAXES ON INCOME

a. Israeli taxation

1. The Israeli corporate tax rate for 2022 and 2021 is 23%.

2. **Tax Benefits from the Encouragement of Capital Investments Law, 1959 ("The Encouragement Law")**
t42 Israel was determined in the past as a company which is entitled to a reduced tax rate.
The Group does not expect to pay taxes in Israel in the next coming years.

3. t42 Israel has carryforward operating tax losses of approximately NIS 42 million as of December 31, 2022 (NIS 39 million as of December 31, 2021). As for deferred tax assets see Note 2C(r).
t42 Israel has been assessed by the Income Tax Authorities up to and including the year 2017.

b. Jersey taxation

Taxable income of the Company and Starcom Jersey is subject to tax at the rate of zero percent for the years 2022 and 2021.

c. Detail of tax income

Since the recording of a deferred tax asset is limited to the amount of deferred tax liabilities, no deferred tax income will be recorded in 2022 or was recorded in 2021.

NOTE 9 - OTHER ACCOUNTS PAYABLE

	December 31	
	2022	2021
Employees and payroll accruals	237	209
Accrued expenses and notes payable	23	529
	260	738

NOTE 10 - LONG-TERM LOANS FROM BANKS, NET OF CURRENT MATURITIES

1. Composition:

	December 31	
	2022	2021
Long-term liability	212	315
Less: current maturities	(70)	(76)
	142	239

2. Aggregate maturities of long-term loans (including interest) for years subsequent to December 31, 2022 are as follows:

	Amount
First year	76
Second year	76
Third year	69
	221

3. Additional information regarding long-term loans:

Date Received	Amount Received NIS (U. S. dollars) In thousands	Annual Interest Rate	Loan Terms and Maturity Dates	Interest Payment Terms
Dec 9, 2020	1,000 ($310)	Prime + 1.5	48 equal monthly installments including principal and interest (once year grace for principal) *	Monthly commencing 09 Dec 2020

See also Note 13.

*The loan is a state-guaranteed loan, received as assistance due to the spread of the Covid -19 virus, the State paid the interest for the first year.

As of December 31, 2022 the interest prime rate was 4.75% After the reporting date and as of the date of signing the financial statements, the annual prime interest rate increased to the rate of 6.25%.

NOTE 11 - FINANCIAL LIABILITIES OF CONVERTIBLE LOANS AND WARRANTS

a. During December 2021, The Company received from third parties loans in the total amount of $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, subject to compliance with 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.

The loan was evaluated and divided into different components by an independent appraiser, the amounts as for December 31, 2022 are as follows:

Conversion component at fair value – $7 thousand

U.S. Dollars in thousands

Warrants at fair value – $1 thousand
Amortized cost of a loan – $973 thousand
Transaction costs were allocated according to the component's fair value ratio.

NOTE 11 - FINANCIAL LIABILITIES OF CONVERTIBLE LOANS AND WARRANTS (cont.)

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 component of the loan, based on its amortization table. The effective interest rate is 33% per annum.

b. During December 2022, the Israeli subsidiary entered into a loan agreement with CSS Alpha Global Pte Ltd for the provision of a 12-month secured US$500,000 debt facility. The Agreement provides, inter alia, for interest at 2 per cent per month, with 9 monthly repayments starting 3 months after drawdown. Security is by way of a second charge on assets, a personal, guarantee from the Company's CEO, limited to 20 per cent of the loan, and a deposit with CSS of 3,000,000 new t42 shares. In addition, warrants for a total of 2,976,185 shares in t42 have been issued to CSS, exercisable at 7p per share over 5 years. The initial drawdown was provided in December 2022, the second and last drawdown was provided in January, 2023.

c. In December 2022, the Company issued a £265,000 convertible loan note to a supplier, to be applied in lieu of settlement of a supplier debt, assisting with the Company's cashflow management. The CLN bears interest at 3% per annum, payable quarterly, and is repayable by 31 December 2024. The CLN is convertible at 9p per share at the discretion of the holder. In addition, the Company has the right to enforce conversion of £100,000 of the CLN in the event t42's share price exceeds 12p and the balance if the share price exceeds 15p.

d. In March 2022, 500,000 ordinary shares of no par value were issued at a price of 12p per share following the exercise of warrants by directors.

e. For the Year ended December 31, 2022, the estimated fair values of the various Warrants and Convertible components 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 $0.065

	Year ended December 31, 2022
Expected term	1-5 years
Expected average volatility	40%
Expected dividend yield	-
Risk-free interest rate	0.368%
Fair value at end of year	0.09p-2.13p

Total revaluation expenses regarding these components in the statement of comprehensive loss for the reported period are as follows:

	Loan components	**Conversion components**	**Warrants**
Balance as of January 1, 2022	857	279	118
Additions during the year	480	27	77

U.S. Dollars in thousands

Finance (income) expenses	131	(272)	(117)
Payments	(15)	-	-
Conversion	-	-	-
Balance as of December 31, 2022	1,453	34	78

NOTE 12 - SHORT-TERM BANK LOAN

During July 2020, t42 Israel signed a loan agreement with an Israeli bank in order to receive loans and credits in an aggregate principal amount that will not exceed NIS 5 million (hereinafter – "the Loan").
During November 2021, the company signed an amendment to the loan agreement which adjust the total loan amount to NIS 3 million and adjust the interest the loan shall bear to amount of Prime + 4% calculated and payable on a monthly basis, to be repaid after a year.
In the framework of the financial agreement that was signed, the Company is obligated to maintain financials covenants in regard to the Groups' EBITDA and Equity.
As of December 31, 2021, the Company did not meet its financial covenants, thus the bank has the right to demand the repayment of the loan immediately.
Based on mutual understanding between the bank and the company the short term facility is being gradually amortized, respectively reduced by $152 thousands during the audited period.

NOTE 13 - CHARGES

In respect of the short-term and long-term bank loans set out in Notes 10 and 12 above-

1. A charge was placed on the t42 Israel's vehicle.
2. A floating pledge was placed on the assets of t42 Israel.
3. A cross-Group charge was placed.
4. A Pledge on the bank deposit of t42 Israel was placed.
   Secondary floating pledge on t42 assets.

NOTE 14 - EQUITY

a. Share composition - Common stock of no-par value, issued and outstanding:

	Year Ended December 31,	
	2022	**2021**
	54,026,822	52,526,822

b. During November 2021 the Company consolidated shares by a ratio of 1:8 (**"shares consolidation"**).

c. Company share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution

d. During December 2022, the Company raised £90 ($100) thousand before expenses through a placing of 1,000,000 Ordinary Shares.

e. See Note 11

U.S. Dollars in thousands

NOTE 14 - EQUITY (cont.)

f. Share-based payment

The following table lists the number of share options and warrants and the exercise prices of such during the current and prior years:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		£		£
Share options & warrants outstanding at beginning of year	10,122,112	0.206	6,244,243	0.22
Warrants granted during the year	2,976,185	0.07	4,322,869	0.17
Options & Warrants exercised during the year	(500,000)	0.12	(445,000)	-
Options & Warrants expired during the year	(53,075)	0.12	-	-
Share options & warrants outstanding at end of year	12,545,222	(0.177)	10,122,112	0.206
Share options & warrants exercisable at end of year	12,215,555	0.171	9,127,829	0.207

See Note 11.

U.S. Dollars in thousands

NOTE 15 - COST OF SALES

	Year Ended December 31, 2022	2021
Purchases and other	1,970	2,241
Amortization	180	348
Decrease (Increase) in inventory	208	(44)
	2,358	2,545

* See also Note 7 regarding the impairment of some of the intangible assets.

NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2022	2021
Salaries and related expenses (see also Note 20)	1,205	1,307
Professional services (1)	555	548
Doubtful accounts and bad debts	(23)	154
Depreciation	257	202
Office maintenance	167	104
Car maintenance	89	73
	2,250	2,388

(1) Including share-based payment to directors and senior management in the amounts of $95 and $28 thousand for the years ended December 31, 2022 and 2021, respectively. See also Note 14f

b. Average Number of Staff Members by Category:

	Year Ended December 31, 2022	2021
Sales and marketing	7	6
Research and development	3	3
General and administrative	12	12
	22	21

NOTE 17 - OTHER INCOME (EXPENSES)

In 2021 the Company impaired the intangible asset in the amount of $801 thousand.

NOTE 18A - FINANCE INCOME

	Year Ended December 31, 2022	2021
Exchange rate differences, net	455	-
Revaluation of financial instruments	359	49
	814	49
NOTE 18B - FINANCE EXPENSES		
Exchange rate differences, net	-	(98)
Interest to banks and others	(382)	(104)
Bank charges	(50)	(62)
Interest to suppliers	(5)	(46)
Interest to related parties	(10)	(10)
	(447)	(320)
Net finance income (expenses)	367	(271)

U.S. Dollars in thousands

NOTE 19 - LOSS PER SHARE

Weighted average number of shares used in computing basic and diluted loss per s
consolidation):

Year Ended December 31, 2022	2021
52,830,858	46,294,206

NOTE 20 - RELATED PARTIES

a. The related parties that own shares in the Group are:
Mr. Avraham Hartman (10.33%), Mr. Uri Hartman (5.46%),

b. Short-term balances:

	December 31 2022	2021
Credit balances		
Avi Hartmann	(20)	(38)
Uri Hartmann	(545)	(482)
Doron Kedem*	--	(173)
Total Credit Balance	(565)	(693)
Loans		
Avi Hartmann	69	38
Uri Hartmann	(248)	(236)
Doron Kedem*	--	199
Total Loans	(179)	1
	(744)	(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. Shareholders' credit balances are related to deferred salaries and are linked to the New Israel Shekel ("NIS"). Loans from shareholders accrue 4% annual interest.

d. Transactions:

	Year Ended December 31, 2022	2021
Key management compensation:		
Total salaries and related expenses for shareholders/related parties	381	543
Non-executive directors' fees	95	141
Total share-based payment	3	22
Interest to related parties	10	10

e. Directors and the shareholders of the Group are each entitled to benefits, in addition to salaries, that include a vehicle, meals, cellular phones and a professional enrichment fund. Concurrently, the Group deposits for them amounts in a restricted benefit plan for implementation upon completion of their employment.

f. For the purposes of the AIM Rules other transactions with related parties are disclosed in note14f.

U.S. Dollars in thousands

NOTE 21 - FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

a. Financial Risk Factors:

The Group's operations expose it to a variety of financial risks, including: market, currency, credit and liquidity risks. The comprehensive Group plan for risk management focuses on the fact that it is not possible to predict financial market behavior and an effort to minimize possible negative effects on Company financial performance.

In this Note, information is stated in regard to Group exposure to each of the risks abovementioned and the handling of these risks. Risk management and capital are handled by the Group management that identifies and evaluates financial risks.

1) Exchange rate risk

Group operations are exposed to exchange rate risks arising mainly from exposure of loans that are linked to the NIS from banks, suppliers and others.

2) Credit risk

Credit risks are handled at the Group level. These risks arise from cash and cash equivalents, bank deposits and unpaid receivable balances. The Group settled a credit insurance with one of the biggest credit insurance companies worldwide and manages its credit risk accordingly. Cash and cash equivalent balances of the Group are deposited in an Israeli bank. Group management is of the opinion that there is insignificant credit risk regarding these amounts.

3) Liquidity risks

Cautious management of liquidity risks requires that there will be sufficient amounts of cash to finance operations. Group management currently examines projections regarding liquidity surpluses deriving from cash and cash equivalents. This examination is based on projected cash flows, in accordance with procedures and limitations determined by the Group.

Short term loan covenants compliance is closely monitored by the financial department.

b. Linkage terms of financial instruments:

Group exposure to Index and foreign currency risks, based on par value, except for derivative financial instruments is as follows:

	December 31, 2022					
	NIS		U.S. Dollar	GBP	Euro	Total
	Unlinked	Variable Interest	Unlinked			
Financial Assets:						
Cash and cash equivalents	2	-	171	-	1	174
Short-term deposit	-	130	-	-	-	130
Trade receivables, net	100	-	371	-	16	488
Other accounts receivable	129	-	-	-	-	129
Financial Liabilities:						
Short-term bank credit	-	(42)	-	-	-	(42)
Short term bank loan	-	(719)	-	-	-	(719)
Non Bank Loans	-	-	(583)	-	-	(583)
Trade payables	-	(569)	(478)	(93)	(5)	(1,144)
Other accounts payable	(260)	-	-	-	-	(260)
Leasehold liabilities	-	(902)	-	-	-	(902)
Related parties	-	(744)	-	-	-	(744)
Long-term loans from banks	-	(142)	-	-	-	(142)
Financial liabilities of convertible loans	-	-	(981)	-	-	(981)
	(29)	(2,988)	(1,499)	(92)	12	(4,596)

U.S. Dollars in thousands

NOTE 21 - FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS (cont.)

	December 31, 2021					
	NIS		U.S. Dollar	GBP	Euro	Total
	Unlinked	Variable Interest	Unlinked			
Financial Assets:						
Cash and cash equivalents	358	-	805	133	238	1,534
Short-term deposit	-	154	-	-	-	154
Trade receivables, net	128	-	533	-	18	679
Other accounts receivable	211	-	-	5	-	216
Financial Liabilities:						
Short-term bank credit	-	(24)		-	-	(24)
Short-term bank loan	-	(922)	-	-	-	(922)
Trade payables	-	(1,220)	(237)	(94)	(2)	(1,553)
Other accounts payable	(210)	-	(120)	-	(408)	(738)
Leasehold liabilities	-	(706)	-	-	-	(706)
Related parties	-	(692)	-	-	-	(692)
Long-term loans from banks	-	(315)	-	-	-	(315)
Financial liabilities of convertible loans	-	(1,251)	-	-	-	(1,251)
	487	(4,976)	981	44	(154)	(3,618)

Analysis of Sensitivity to Changes in the Exchange Rate of the U.S. Dollar Against the NIS:

	5% Increase in Exchange Rate	5% Decrease in Exchange Rate
For the Year Ended December 31		
2022	(149)	149
2021	(224)	224

Analysis of Sensitivity to Changes in the Exchange Rate of the U.S. Dollar Against the Euro:

	5% Increase in Exchange Rate	5% Decrease in Exchange Rate
For the Year Ended December 31		
2022	1	(1)
2021	(8)	8

Analysis of Sensitivity to Changes in the Exchange Rate of the U.S. Dollar Against the GBP:

	5% Increase in Exchange Rate	5% Decrease in Exchange Rate
For the Year Ended December 31	(5)	5
2022		
2021	2	(2)

c. **Fair value**

As of December 31, 2022, there was no significant difference between the carrying amounts and fair values of the Company's financial instruments that are presented in the financial statements not at fair value.

U.S. Dollars in thousands

NOTE 21 - FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS (cont.)

d. Changes in liabilities arising from financing activities

	1 January 2022	Cash flows	Additions/ (Disposals)	Foreign exchange movement	New leases	Other	31 December 2022
Short-term loans (excluding items listed below)	998	(244)	187			1,008	1,949
Current lease liabilities (Note 22)	148	(177)				141	112
Long-term loans (excluding items listed below)	1,096		319			(954)	461
Non-current lease liabilities (Note 22)	558	-			457	(225)	790
Derivatives	397		103			(389)	111
Total liabilities from financing activities:	**3,197**	**(421)**	**609**		**457**	**(419)**	**3,423**

	1 January 2021	Cash flows	Disposals	Foreign exchange movement	New leases	Other	31 December 2021
Current interest-bearing loans (excluding items listed below)	1,005	183	-	-	-	(190)	998
Current lease liabilities (Note 22)	136	(136)	-	9	-	139	148
Non-current interest-bearing loans (excluding items listed below)	303	1,251	-	-	-	(458)	1,096
Non-current lease liabilities (Note 22)	236	-	(162)	(1)	629	(144)	558
Derivatives	52	-	-	-	-	345	397
Total liabilities from financing activities:	**1,732**	**1,298**	**(162)**	**8**	**629**	**(308)**	**3,197**

The ‘Other’ column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including lease liabilities to current due to the passage of time, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, including lease liabilities and the effect of changes in fair value. The Group classifies interest paid as cash flows from financing activities.

U.S. Dollars in thousands

NOTE 22 - Leases

Group as a lessee

The Group has lease contracts for various items of property and vehicles used in its operations. The leases of property have lease terms of 5 years, while motor vehicles have lease terms of 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing.

There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Property	**Vehicles**	**Total**
Balance at January 1, 2021	206	124	330
Additions	629	-	629
Disposals	(136)	-	(136)
Depreciation expenses	(70)	(63)	(133)
Balance at December 31, 2021	629	61	690
Additions	417	38	455
Disposals	-	-	-
Depreciation expenses	(105)	(59)	(164)
Balance at December 31, 2022	941	40	981

Below are the carrying amounts of lease liabilities (included under Leasehold Liabilities) and the activities during the period:

	2022	**2021**
As at January 1	(706)	(372)
Additions	(455)	(629)
Disposals	-	162
Exchange rate differences and accretion of interest	84	(4)
Payments	175	137
Balance at December 31	(902)	(706)
Current	(112)	(148)
Non-Current	(790)	(558)

Maturity analysis – contractual undiscounted cash flows	
Less than one year	(141)
One to five years	(503)
Total undiscounted lease liabilities at December 31, 2022	(644)

The following are the amounts recognized in profit or loss:

	2022	**2021**
Depreciation expenses of right-of-use assets	(164)	(133)
Interest expenses on lease liabilities	84	(4)
Total amount recognized in profit or loss	(80)	(137)

U.S. Dollars in thousands

NOTE 22 - Leases (cont.)

The Group had total cash outflows for leases of $ 175 in 2022 ($137 in 2021). The Group also had non-cash additions to right-of-use assets and lease liabilities of $457 in 2022 ($629 in 2021)

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and to align with the Group's business needs. Management performs significant judgment operations in determining whether these extension and termination options are reasonably certain to be exercised.

Below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within 5 years	More than 5 years	Total
Extension options expected not to be exercised			
Termination options expected to be exercised	-	-	-
December 31, 2022	-	-	-
Extension options expected not to be exercised	-	720	720
Termination options expected to be exercised	-	-	-
December 31, 2021	**-**	**720**	**720**

NOTE 23 - CUSTOMERS AND GEOGRAPHIC INFORMATION

a. Major customers' data as a percentage of total consolidated sales to unaffiliated customers:

	Year Ended December 31, 2022	2021
Customer A	14%	10%
Customer B	11%	9%
Customer C	8%	6%

b. Breakdown of consolidated sales to unaffiliated customers according to geographic regions:

	Year Ended December 31, 2022	2021
Latin America	12%	17%
Europe	16%	15%
Africa	38%	29%
Asia	4%	7%
Middle East	22%	23%
North America	8%	9%
Total	100%	100%

U.S. Dollars in thousands

NOTE 24 - SEGMENTATION REPORTING

The Group has two main reportable segments, as detailed below:
Reported operating segments include: Hardware and SaaS.
For each of the strategic divisions, the Group's CEO reviews internal management reports on at least a quarterly basis.
There are no inter-segment sales. Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segments.

Segment information regarding the reported segments:

	Hardware	SaaS
Year Ended 31.12.2022:		
Segment revenues	2,065	1,976
Cost of sales	(2,105)	(253)
Gross profit (loss)	(40)	1,723
Year Ended 31.12.2021:		
Segment revenues	2,069	2,145
Cost of sales	(2,291)	(254)
Gross profit (loss)	(222)	1,891

NOTE 25 - SIGNIFICANT EVENTS AFTER THE REPORTED PERIOD

During 2023, the Company received an additional significant order of Tetis from a US-based customer and other.

The Company has negotiated additional funding by way of a USD 1.3 million interest bearing convertible loan with a third-party which will be repayable 18 months from drawdown if not converted prior to that date. These funds, if secured, will meet the cash requirements in the medium term that will enable the Company to fulfil existing orders in hand. The agreement has been approved by all parties and formal documents are in the process of being signed and the lender has committed to provide the funds once completed. The Company expects significant further growth in orders over the next 12 months and should these be achieved, it may be necessary to review cash requirements to enable them to be fulfilled and to ensure the new leasing structure can be applied for future sales now being adopted for some clients.