

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.

27 June 2025

t42 IoT Tracking Solutions plc

("t42" or the "Company")

Full year results

t42 IoT Tracking Solutions plc (AIM: TRAC), a global provider of real-time tracking and monitoring solutions for containers, is pleased to announce its audited results for the year ended 31 December 2024.

Financial Highlights

- Revenue of \$4.16m (2023: \$4.01m), with an increased contribution from the supply chain solutions.
- Adjusted EBITDA loss of \$206,000 (2023: EBITDA gain of \$341,000).
- Gross margin decreased to 38%, due to cost increases in the hardware segment (2023: 53%).
- Total operating expenses increased to \$2.48m (2023: \$2.25m).

Operational and Post-period Highlights

Of the four major contracts signed in 2024, one is already outperforming expectations. Year-on-year growth in Lokies orders is nearly 100%, and this is expected to have a positive impact on 2025 results. The other contracts are progressing as planned. As previously reported, these contracts represent cumulative potential orders of up to 100,000 units, primarily from customers in Latin America. Subject to full execution and delivery timelines, the contracts are expected to generate approximately \$20m in hardware and SaaS revenues over the next three years.

Since the beginning of 2025, we have seen a significant increase of nearly 100% in purchase orders for both Lokies and Tetis, which will contribute to revenues in the current year.

Avi Hartmann, CEO of t42, commented:

"We offer a comprehensive, cutting edge, technological solution for monitoring and securing containers, effectively addressing a critical challenge in maritime, land transportation and air cargo. Our solution guarantees reliability, security, and economic feasibility while significantly reducing implementation time and accelerating return on investment for our customers. We are actively pursuing business opportunities in key markets such as South and North America, evident from recent agreements signed and the substantial business potential they represent.

I would like to express, on behalf of the Board and myself, our sincere gratitude to Igor Vatenmacher, who stepped down as CFO in April this year. Igor's drive and determination has greatly helped to guide T42 through challenging times in the past and set it on a road to a brighter future. Although Igor has stepped down from his executive role, he has not left the Company – he now continues to serve as a non-executive director, contributing his vast experience and unique insights in his new role.

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The Annual Report will be made available to shareholders shortly and be available from the Company's website at: www.t42.co.uk/. A notice of AGM will be dispatched to shareholders in due course.

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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CHAIRMAN'S STATEMENT

We are pleased to report T42's audited results for the year ended 31 December 2024.

Revenues increased to \$4.16 million, up from \$4.01 million in 2023. We expect continued fulfillment of the agreements announced during 2024 over the coming years.

The software segment maintained a strong gross margin of 82%, while the hardware segment recorded a negative gross margin of 7%, compared to a positive 20% last year. The decline is primarily due to the following factors:

1. Write-offs of old inventory as part of the Company's shift to focusing on innovative products in other areas for both new and existing markets.
2. Increase in the cost of components production, which caused an erosion in gross profitability.
3. Sharp increase in shipping costs.

We are addressing these issues and expect margin improvement in the current year.

Several years ago, we pivoted the Company's strategy from vehicle tracking to container monitoring solutions. This led to a rebranding to t42 and a fundamental change in our core business. As part of this transition, key personnel were replaced, and an experienced, focused management team was brought in. The signs of success are evident in the 2024 results.

We have developed new products in collaboration with leading manufacturers, identified new customers, and introduced innovative business models and solutions. Within a short period, we have demonstrated that we are on the right path, and this positive momentum is reflected in our results.

In 2024, we experienced significant growth in the container segment, including the signing of new multi-year agreements that exceeded the sales volumes of 2023. This momentum is driven by the high quality of our Lokies locks and increasing demand for our new TETIS models.

We have made substantial technological improvements, particularly in power consumption – a key operational advantage for our customers.

This trend continues: new customers are being secured, pilot projects are advancing, and market potential is turning into a pipeline of commercial opportunities. We are also investing in our complementary TETIS product with a focus on energy efficiency.

Much of the container segment growth stems from agreements signed in the first half of 2024. We now expect actual orders under these agreements to exceed customers' initial forecasts. We are in advanced negotiations with one major customer regarding 2025 order forecasts, which may result in a material increase the original contract scope.

There is no doubt that t42's solutions are shaping the future of container monitoring. The expected increase in 2025 orders marks a significant step toward fulfilling the Company's potential and its aspiration to be a leader in the container tracking market.

In the Helios segment, our platform was selected for national deployment in a South American country to improve safety and reduce road accidents in public and heavy transportation, including buses and trucks.

R&D

Over the past twelve months, t42 has achieved significant technological milestones, reflecting its commitment to innovation and excellence in the IoT space.

We launched a new version of the Lokies product line with a smaller shackle for increased flexibility and safety, without compromising durability and reliability.

We also focused on road safety solutions, enhancing user experience, and expanding into new markets. In a first-of-its-kind project in Mexico, we developed an interface for the Helios device, connected to an external vehicle display, for secure driver identification. The interface features intelligent audio-visual alerts based on speed, location, and direction.

Following a pilot of several hundred units, a 100% success rate was reported in preventing incidents that previously led to losses and insurance claims. We have already received interest from customers in other countries and expect to expand this solution throughout 2025 and 2026.

We upgraded the t42 platform to enable the creation of thousands of speed and direction zones, including real-time alerts to edge devices for fleet management.

We also enhanced deployment tools, allowing for faster and more accurate device activations, enabling large-scale rollouts with minimal downtime.

FINANCIAL REVIEW

- Group revenues of \$4.16 million (2023: \$4.01 million) – an increase of 4%.
- Gross margin decreased to 38% (2023: 53%). The software segment maintained a strong margin of 82%, while the hardware segment recorded a margin loss of 7% (2023: 20% margin profit).
- Total operating expenses increased to \$2.48 million (2023: \$2.25 million).
- Net loss after tax increased to \$1.75 million (2023: \$0.42 million), and the operating loss increased to \$0.9 million (2023: \$0.1 million).
- A foreign exchange rate gain of \$72k was recorded mainly due to the depreciation of the Israeli shekel against the US dollar (2023: \$27k gain).
- Trade receivables slightly declined to \$0.88 million (2023: \$0.89 million).
- Inventory of \$1.12 million (2023: \$1.44 million).
- Trade payables increased to \$1.11 million (2023: \$0.84 million).
- Cash flow from operations was approximately \$0.6 million, compared to a negative cash flow of \$0.2 million in 2023.

The auditor's report draws attention to the deficit in working capital as of 31 December 2024, including loans due to be repaid within 12 months, and that there may be an uncertainty as the Company's ability to continue as a going concern. However, given the expectation of increased revenues, the Board is confident that additional funding, if necessary, will be available.

CLN Update

The Company has received non-binding proposals from holders of the Company's secured convertible loan notes ("CLNs") for the principal of £925,000 and \$1,300,000 (excluding accrued interest) which were due in May 2025, expressing willingness to convert or extend the terms of the loan, subject to renegotiation. The lenders have confirmed that they will not be seeking repayment while the extensions are being negotiated.

OUTLOOK

After several years of market entry challenges and technology validation in the container space, we made a strategic decision to rebrand the Company and focus on container tracking solutions. This move sends a clear message: t42 is here to lead.

In 2024, we experienced over 100% growth in container-related sales compared to 2023, and negotiations are already underway to expand existing agreements. It is now clear that we are not just participating in the market – we are becoming a key player.

But our ambition goes further – to lead the next wave of innovation in the industry. This requires breakthroughs, an advanced strategy, and collaborations with visionary industry leaders. We are already in advanced discussions with such partners and hope to share developments soon.

The journey has begun – long, challenging, and at times turbulent, but full of opportunities. The Board’s expectations for t42 are high, and we look forward to updating on key milestones.

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

As of today, the T42 IoT Tracking Solutions PLC Board consists of four directors, three 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. However, given the current troubles in Israel it was decided to hold all meetings in 2024 by conference call. During 2024, a total of 11 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 one 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. However, given the current troubles in Israel it was decided to hold all meetings in 2024 by conference call.

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 management. The executive director is fully committed to the Company and spends 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 2024, with the assistance of the Company's brokers, presentations were made to a number of investors. In addition, the Board welcomes contact from investors via the Company's brokers, and via the website. 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. Thus, 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 2024, 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 11-12 of this document.

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

The Board currently comprises one executive and three 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 Non-Executive 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 about 20 members based in the office in Israel and their needs and aspirations are regularly reviewed.

Main governance structures and processes

The Non-Executive Chairman, Michael Rosenberg, has responsibility for ensuring proper corporate governance and can also rely on the support of the non-board CFO, Mr Sabag, 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 non-executive Chairman of the Board and Audit Chair at Cake Box Holdings PLC (AIM: CAKE).

Igor Vatenmacher (Non-Executive Director (Chief Financial Officer until April 2025))

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. Since his appointment, he 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 as CFO, transitioning to a non-executive role in April 2025.

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 several times during 2024. In June 2025, the Audit Committee reviewed the financial statements for the year ended 31 December 2024, paying particular attention to the level of debtors. The Audit Committee met in September 2024 to consider the interim financial statements for the six months ended 30 June 2024. Again, the Committee focused on stock valuation and debtor levels. 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 2024. 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 plan 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 2024. This will be kept under annual review by the Board.

On behalf of the Board,

M. Rosenberg, Non-Executive Chairman

t42 IoT Tracking Solutions PLC

Directors' Report

for the Year Ended December 31, 2024

The directors present the annual report together with the financial statements and auditors' report for the year ended December 31, 2024.

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

Principal activities and review of business

t42 pioneering Advanced Real-Time Tracking and Management Solutions

t42 is a global leader in the field of advanced, automated real-time systems, specializing in the remote tracking and management of vehicles, containers, and assets. Our commitment to innovation is underpinned using cutting-edge Artificial Intelligence (AI) and Machine Learning (ML) technologies. We offer a unique and revolutionary real-time cargo tracking solution that caters to a diverse clientele.

At the forefront of our product line are the revolutionary Tetis, Lokies, and Kylos products. These products provide a comprehensive 360 degree view of containers and goods throughout the entire supply chain. Our commitment to excellence is evident in the strength, stability, and continuous performance of all our systems.

Accounts production

The financial statements for the year ended December 31, 2024, 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 2024: (All amounts presented in thousands of USD)

Executive Director	Salary	Pension and Related Expenses	Fees	Total
A Hartmann	167	24	-	191
I Vatenmacher	108	33	-	141
Non-Executive Directors				
M Rosenberg	-	-	51	51
M Blair	-	-	57	57
Total 2024	-	-	108	440

Directors' remuneration in share options: (In thousands)

Executive Director	Total vested at 01/01/24	Exercised	Vested/ (Expired) during the year	Total Vested at 31/12/24	Total Un- vested at 31/12/24	Grant Total
A Hartmann	1,123	-	42	1,165	-	1,165
I Vatenmacher	333	-	42	375	-	375
Non-Executive Directors						
M Rosenberg	814	-	-	814	-	814
M Blair	364	-	-	364	-	364

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 a 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, Britain Pound 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.

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.

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.linkassetsservices.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, Non-Executive Chairman

**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, 2024 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year 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.

The Company's annual consolidated financial statements as of December 31, 2023 and the year then ended were audited by other accountants that their report included drawing attention to the group's financial position and doubts regarding the Company's ability to continue as a going concern.

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, 2024 and the consolidated results of its operations, changes in equity and cash flows for the year then ended in conformity with international financial reporting standards (IFRS).

Without qualifying our opinion, we draw attention to Note 1 (e) in the financial statements regarding the Company's accumulated losses of 17.6 million USD from operations since inception, deficit in working capital of 4.2 million USD and loans in the amount of 3.2 million USD to be repaid during the next 12 months. These factors, among others, indicate that there may be an uncertainty as the Company's ability to continue as a going concern. The management is making efforts to raise additional funds required to continue and develop the group's operation and believes that due to the growth in the group's activity and other activities taken, the Company will have sufficient cash flow to continue in its activity and meet its liabilities.

Key Audit Matters

Key audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the board of directors and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involve our especially challenging, subjective, or complex judgements. We determined that there are no key audit matters.

Shtainmetz Aminoach & Co.
Certified public accountants (Israel)
A member of UHY worldwide
Shtainmetz Aminoach & Co.

Tel Aviv, June 27, 2025

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. Dollars in thousands

		December 31,	
	Note	2024	2023
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	341	422
Right-of-use assets	23	1,039	1,044
Intangible assets	7	759	952
Trade receivables	3	136	-
Bank deposit	5	9	-
Total Non-Current Assets		2,284	2,418
CURRENT ASSETS			
Cash and cash equivalents		147	186
Deposits	5	-	35
Trade receivables	3,24	740	892
Other accounts receivables		86	27
Inventory	4	1,117	1,439
Total Current Assets		2,090	2,579
TOTAL ASSETS		4,374	4,997
DEFICIT AND LIABILITIES			
DEFICIT			
	14	(2,682)	(939)
NON-CURRENT LIABILITIES			
Long-term bank loans, net of current maturities	10	13	88
Leasehold liabilities	23	770	814
Financial liabilities in fair value	11A, B	-	31
Amortized cost of loans	11	-	917
Total Non-Current Liabilities		783	1,850
CURRENT LIABILITIES			
Short-term bank credit	12	68	145
Current maturities of long-term bank loans	10	74	64
Trade payables		1,106	844
Other accounts payable	9	1,070	433
Current maturities of leasehold liabilities	23	202	168
Financial liabilities in fair value	11B, C	238	12
Amortized cost of loans	11A, B,D	2,745	1,681
Related parties	21	770	739
Total Current Liabilities		6,273	4,086
TOTAL DEFICIT AND LIABILITIES		4,374	4,997

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

27 June 2025

Date of Approval
of the Financial Statements

Aviran Sabag
CFO

Avi Hartman
CEO

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

+

		Year ended December 31,	
	<u>Note</u>	<u>2024</u>	<u>2023</u>
Revenues	24,25	4,158	4,005
Cost of revenues	15	(2,565)	(1,882)
		<hr/>	<hr/>
Gross profit		1,593	2,123
Operating expenses:			
Research and development		(159)	(92)
Sales and marketing	19	(366)	(485)
General and administrative expenses	16	(1,888)	(1,665)
Other expenses, net		(64)	(3)
		<hr/>	<hr/>
Total operating expenses		(2,477)	(2,245)
		<hr/>	<hr/>
Operating loss		(884)	(122)
Finance income	17	262	604
Finance expenses	18	(1,126)	(902)
		<hr/>	<hr/>
Net finance income (expenses)		(864)	(298)
		<hr/>	<hr/>
Total comprehensive loss for the year		(1,748)	(420)
		<hr/>	<hr/>
Loss per share:			
Basic and diluted loss per share	14, 20	(0.032)	(0.008)
		<hr/>	<hr/>

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

T42 IOT TRACKING SOLUTIONS PLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. Dollars in thousands

	Share Capital	Premium on Shares	Capital Reserve	Reserve from Share-Based Payments	Accumulated Loss	Total deficit
Balance as of January 1, 2023	-	13,531	89	1,246	(15,404)	(538)
Issuance of share capital (net of expenses)	-	12	-	-	-	12
Share based payment (see Note 14d)	-	-	-	7	-	7
Comprehensive loss for the year	-	-	-	-	(420)	(420)
Balance as of December 31, 2023	-	13,543	89	1,253	(15,824)	(939)
Share based payment (see Note 14d)	-	-	-	5	-	5
Comprehensive loss for the year	-	-	-	-	(1,748)	(1,748)
Balance as of December 31, 2024	-	13,543	89	1,258	(17,572)	(2,682)

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,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(1,748)	(420)
Adjustments for:		
Depreciation and amortization	523	469
Financial expenses, Changes in fair value of financial liabilities and exchange rate differences, net	700	43
Share-based payment expenses	5	7
Gain from modification of debt terms	(190)	-
Capital gain	-	(10)
Intangible assets impairment	122	-
Changes in assets and liabilities:		
Decrease in inventory	322	142
Decrease (Increase) in trade receivables	17	(404)
Decrease (Increase) in other accounts receivable	(35)	44
Decrease in Income Tax Authorities	-	57
Increase (Decrease) in trade payables	166	(300)
Increase in other accounts payable	720	173
Net cash provided by (used in) operating activities	602	(198)
CASH FLOWS FOR INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(10)	(16)
Proceeds from sales of property, plant and equipment	-	52
Increase in deposits	-	94
Investment in intangible assets	(142)	(134)
Net cash used in investing activities	(152)	(4)
CASH FLOWS FOR FINANCING ACTIVITIES:		
Decrease in short-term bank credit, net	(77)	(366)
Proceeds from (payment to) related parties, net	19	(5)
Payment of leasehold liabilities	(191)	(183)
Repayment of loans	(240)	(546)
Receipt of convertible loans	-	1,300
Consideration of the issue of shares, net	-	14
Net cash provided by (used in) financing activities	(489)	214
Increase (Decrease) in cash and cash equivalents	(39)	12
Cash and cash equivalents at the beginning of the year	186	174
Cash and cash equivalents at the end of the year	147	186
Appendix A – Additional Information		
Interest paid during the year	338	313

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

U.S. Dollars in thousands

NOTE 1 - GENERAL

a. The Reporting Entity

t42 IoT Tracking Solutions PLC ("the Company") was incorporated in Jersey on November 28, 2012. The Company and its subsidiaries ("the Group") is a global supplier in the field of advanced, automated real-time systems, specializing in the remote tracking and management of vehicles, containers, and assets.

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 is in Israel at t42 IoT Tracking Solutions offices, which are located at 96 Dereh Ramatayim Street, Hod Hasharon, Israel.

The address of the Company's registered office is at Starcom Systems Limited offices, which 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. The Group – t42 IoT Tracking Solutions PLC. and the Subsidiaries.
6. Related Party - As determined in International Accounting Standard No. 24.

U.S. Dollars in thousands

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. Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

- e. As of December 31, 2024, the Group has accumulated losses of \$17.6 million from operations since inception and has a deficit in working capital of \$4.2 million, including loans in the amount of \$3.2 million to be repaid or converted during the next 12 months. In addition, the year ended on December 31, 2024 resulted in an operating loss of \$2.5 million. These factors indicate that there may be an uncertainty as the Company's ability to continue as a going concern. The management continues to focus its efforts to raise additional funds required to continue the Group's operations and negotiating with lenders to find an overall solution in which loans repayments will be postponed over a longer period of time and/or will be converted to equity. The management believes that due to the growth in the Group's activity and other efficient measures taken, the Company will have sufficient cashflow to continue in its activities and meet its liabilities.

NOTE 2A - BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements were authorized for issue by the Company's Board of Directors on 26 June 2025.

b. Basis of Measurement

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

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 assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in the following notes:

Note 7 on Recoverability of development costs.

Note 11 on fair value measurement of financial liabilities and derivatives.

Note 8 on Recognition of deferred tax assets in respect of tax losses.

Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in the following note 11.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs).

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of subsidiaries are like the policies adopted by the Group.

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

b. Foreign currency and linkage basis

Assets and liabilities stated in foreign currency are translated to USD at exchange rates at the reporting date. The income and expenses of operations stated in the foreign currency are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income.

Exchange rates and changes in exchange rates during the reported periods are as follows:

	As of December 31,	
	<u>2024</u>	<u>2023</u>
Exchange Rate of NIS in U.S. \$	0.274	0.276
Exchange Rate of GBP in U.S. \$	1.254	1.274
	For the Year Ended December 31,	
	<u>2024</u>	<u>2023</u>
Change in Exchange Rate of U.S. \$	(0.72)%	2.90%
Change in Exchange Rate of GBP	(1.57%)	(5.80%)

c. Financial instruments**(i) Financial assets**

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently 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 has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflect consideration for the time value of money and the credit risk. Accordingly, the group's financial assets are measured at amortized cost.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)**c. Financial instruments (cont.)****(ii) Non-derivative financial liabilities**

Non-derivative financial liabilities include bank credit and borrowings from banks and others, finance lease liabilities, and trade and other payables.

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities (other than financial liabilities at fair value through profit or loss) 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.

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

An exchange of debt instruments having substantially different terms, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Furthermore, a substantial modification of the terms of an existing financial liability, or an exchange of debt instruments having substantially different terms between an existing borrower and lender, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value.

In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In a non-substantial modification in terms of debt instruments, the new cash flows are discounted using the original effective interest rate, and the difference between the present value of the new financial liability and the present value of the original financial liability is recognized in profit or loss.

(iii) Hybrid financial instruments

Liabilities that are convertible into shares denominated in foreign currency or are linked foreign currency are a hybrid instrument (combined) that is presented fully as a financial liability.

The instrument is split into two components for measurement purposes: A liability component without a conversion feature 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. Interest related to the financial liabilities is recognized in profit or loss.

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

(iv) Derivatives that are not serve hedging purposes

The changes in fair value of these derivatives are recognized in profit or loss, as financing income or expense. Inter alia, the Group implements the said accounting treatment to changes in the fair value of the conversion component of convertible loans and warrants granted to lenders.

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 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.

The consideration received from the issuance of a parcel of securities is attributed initially to financial liabilities that are measured each period at fair value through profit or loss, and then to financial liabilities that are measured only upon initial recognition at fair value. The remaining amount is the value of the equity component.

Direct issuance costs are attributed to the specific securities in respect of which they were incurred, whereas joint issuance costs are attributed to the securities on a proportionate basis according to the allocation of the consideration from the issuance of the parcel

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
Laboratory equipment	15

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 2024, 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 material and direct labor 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.)

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: between five to 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. Leases

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset;
- (b) The right to direct the identified asset's use.

1. Lease assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments) and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the Lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

2. Lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively

3. Variable lease payments

Variable lease payments that depend on an index or a rate are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)**h. Leases (cont.)***4. Depreciation of right-of-use assets*

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

Offices –	10 years
Vehicles –	3 years

i. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the moving average/first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

j. Impairment

Financial assets

The Group recognizes a provision for expected credit losses (provision for doubtful accounts) in respect of financial assets at amortized cost which are mainly trade receivables.

The Group has elected to measure the provision for expected credit losses in respect of trade receivables at an amount equal to the full lifetime credit losses of the instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis, based on the Group's past experience and informed credit assessment, and it includes forward-looking info. The Group assumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are past due for more than 60 days.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full or when the payments of the financial assets are past due for more than 120 days.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events: Significant financial difficulty of the borrower, payments being past due, it is probable that the borrower will enter bankruptcy or other financial reorganization.

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

k. Revenues

The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

When determining the transaction price the Group takes into account the effects of all relevant elements like: discounts, refunds, credits and an existence of a significant financing component.

In order to measure the transaction price, the Group adjusts the amount of the promised consideration in respect of the effects of the time value of money if the timing of the payments agreed between the parties provides the customer a significant financing benefit.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)**k. Revenues (cont.)**

When assessing whether a contract contains a significant financing component, the Group examines, inter alia, the expected length of time between the date the Group transfers the promised goods or services to the customer and the date the customer pays for these goods or services, as well as the difference, if any, between the amount of the consideration promised and the cash selling price of the promised goods or services.

When the contract contains a significant financing component, the Group recognizes the amount of the consideration using the discount rate that would be reflected in a separate financing transaction between it and the customer on the contract's inception date. The financing component is recognized as interest income over the period, which are calculated according to the effective interest method.

In cases where the difference between the time of receiving payment and the time of transferring the goods or services to the customer is one year or less, the Group applies the practical expedient included in the standard and does not separate a significant financing component. During the year of 2024 the group recognized such interest income in the amount of 70K\$.

In sales of hardware products (devices) customers obtain control over the products when they are dispatched from the Group's warehouse and or when they are provided to the client's warehouse (depending on the specific agreement between client and the group), therefore the Group recognizes revenue at that time.

For SaaS services, which mainly include providing access to Group's platform that allows control and monitoring of the use of the Group's products – revenue is recognized over time in the reporting period in which the services are provided, since the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group provides such services.

In certain contracts with customers the Group provides warranty services to the customers according to the contract or as customary in the industry. The warranty services are provided only in order to ensure the quality of the work and compliance with the specifications agreed between the parties, and do not constitute an additional service to the customer. Therefore, the Group does not identify the warranty as a distinct performance obligation but rather accounts for it in accordance with the guidance in IAS 37 and recognizes a provision for warranty at the estimated cost of such services.

l. 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.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)

m. Finance income and expenses

Financing income comprises interest income on funds invested, gains on changes in the fair value of financial derivatives at fair value through profit or loss and foreign currency gains.

Financing expenses comprise interest expense on borrowings, charges and changes in the fair value of financial derivatives at fair value through profit or loss.

Borrowing costs, which are not capitalized to qualifying assets, are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognized using the effective interest method. Generally, in calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset or to the amortized cost of the financial liability, as applicable.

n. Employee benefits

1. Short-term employee benefits -

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

2. Benefits upon retirement -

The Group has a post-employment benefit plans. The plans are financed by deposits with insurance companies, and they are classified as defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

3. Shares based payments

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service is adjusted to reflect the number of awards that are expected to vest.

Share-based payment arrangements in which equity instruments are granted by the parent company to the employees of the Company are accounted for by the Company as equity-settled share-based payment transactions.

NOTE 2C - SIGNIFICANT ACCOUNTING POLICIES (cont.)**o. Taxes**

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss.

Current taxes

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of prior years and any tax arising from dividends.

Deferred taxes

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 related to the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses 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 are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Offset of deferred tax assets and liabilities

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 income 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 current tax assets and liabilities will be realized simultaneously

p. Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares, which comprise convertible loans, warrants and share options granted to employees.

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 2024.

New significant relevant standards not yet adopted:

IFRS 18, Presentation and Disclosure in Financial Statements

This standard replaces IAS 1, Presentation of Financial Statements. The purpose of the standard is to provide improved structure and content to the financial statements, particularly the income statement. The standard includes new disclosure and presentation requirements that were taken from IAS 1, Presentation of Financial Statements, with small changes. As part of the new disclosure requirements, companies will be required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, for most companies, the results in the income statements will be classified into three categories: operating profit, profit from investments and profit from financing. In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (non-GAAP measures). Furthermore, the standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes. The standard will encourage companies to avoid classifying items as 'other' (for example, other expenses), and using this classification will lead to additional disclosure requirements. The standard is effective from annual reporting periods beginning on or after 1 January 2027 with earlier application being permitted. The Group is examining the effects of the standard on its financial statements with no plans for early adoption.

NOTE 3 - TRADE RECEIVABLES

	December 31	
	2024	2023
Open accounts	439	560
Income to receive	460	353
	899	913
Provision for doubtful accounts (credit loss)	(23)	(21)
	876	892
Income to receive – long term	(136)	-
	740	892

The movement in the provision for doubtful accounts respect of trade receivables during the year was as follows:

	2024	2023
Balance as at January 1	21	9
Change from write-off of financial assets	(42)	(9)
Allowance for doubtful accounts	44	21
Balance as of December 31	23	21

Presented hereunder is information about ages of trade receivables accounts:

	December 31, 2024
Not past due	570
Past due 1-30 days	94
Past due 31-60 days	43
Past due 61-90 days	62
Past due more than 90 days (*)	130
Total	899

(*) The provision for doubtful accounts refers to debts overdue by more than 90 days.

NOTE 4 - INVENTORY

	December 31	
	2024	2023
Raw materials	959	1,076
Finished goods	158	363
	1,117	1,439

In 2024, the Group wrote down inventories to their net realizable value by the amount of \$33k.

NOTE 5 - BANK DEPOSIT

A bank deposit sums of \$9 and \$8 as of December 31, 2024 and 2023, respectively, serves as a security deposit for repayment of a long-term bank loan (see note 10). The deposit bears negligible interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	Computers and Software	Furniture and Equipment	Laboratory Equipment	Leasehold Improvements	Total	
Cost:						
Balance as of January 1, 2024	240	159	306	345	1,050	
Additions during the year	4	-	4	2	10	
Balance as of December 31, 2024	244	159	310	347	1,060	
Accumulated Depreciation:						
Balance as of January 1, 2024	221	117	220	70	628	
Depreciation during the year	14	14	35	28	91	
Balance as of December 31, 2024	235	131	255	98	719	
Net book value December 31, 2024	9	28	55	249	341	
	Computers and Software	Furniture and Equipment	Laboratory Equipment	Leasehold Improvements	Vehicles	Total
Cost:						
Balance as of January 1, 2023	240	156	299	340	156	1,191
Additions during the year	-	3	7	5	-	15
Disposal during the year	-	-	-	-	(156)	(156)
Balance as of December 31, 2023	240	159	306	345	-	1,050
Accumulated Depreciation:						
Balance as of January 1, 2023	203	109	181	31	121	645
Depreciation during the year	18	8	39	39	-	104
Disposal during the year	-	-	-	-	(121)	(121)
Balance as of December 31, 2023	221	117	220	70	-	628
Net book value December 31, 2023	19	42	86	275	-	422
Net book value as of January 1, 2023	37	47	118	309	35	546

NOTE 7 - INTANGIBLE ASSETS

	Total
Cost:	
Balance as of January 1, 2024	2,018
Additions - capitalized development costs	142
Balance as of December 31, 2024	<u>2,160</u>
Accumulated Amortization and impairment loss:	
Balance as of January 1, 2024	(1,066)
Amortization during the year	(213)
Impairment during the year	(122)
Balance as of December 31, 2024	<u>(1,401)</u>
 Net book value as of December 31, 2024	 <u><u>759</u></u>
 Cost:	
Balance as of January 1, 2023	1,884
Additions - capitalized development costs	134
Balance as of December 31, 2023	<u>2,018</u>
Accumulated Amortization:	
Balance as of January 1, 2023	(863)
Amortization during the year	(203)
Balance as of December 31, 2023	<u>(1,066)</u>
 Net book value as of December 31, 2023	 <u><u>952</u></u>

Amortization is calculated using the straight-line method over the estimated useful lives of the assets, 5-10 years.

Recoverability of development costs

The carrying amount of certain intangible assets representing development costs for a few products is \$ 291,000. An impairment test was triggered during the year because of changes in demand for certain versions of those products. The recoverable amount of those products was estimated by the company based on their value in use, determined by discounting the future cash flows generated from the continuing use of those products using a discount rate of 16% and a growth rate of 5%-15% in the years 2025-2026. The carrying amount of those products was determined to be higher than their recoverable amount of \$122,000, and an impairment loss of \$122,000 was recognized. The impairment loss is included in other expenses.

NOTE 8 - TAXES ON INCOME**a. Israeli taxation**

1. The Israeli corporate tax rate for 2024 and 2023 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. However, the Group does not expect to pay taxes in Israel by t42 Israel in the next coming years due to carryforward tax losses.
3. t42 Israel has carryforward operating tax losses of approximately NIS 49 million as of December 31, 2024 (NIS 43.8 million as of December 31, 2023). Since there is a significant uncertainty regarding the existence of taxable revenues in the near future, deferred tax assets were not recognized. The company recognized deferred tax assets for carryforward tax losses up to the amount of deferred tax liabilities.

t42 Israel has been assessed by the Income Tax Authorities up to and including the year 2019.

b. Jersey taxation

Taxable income of the Company and Starcom Jersey is subject to tax at the rate of zero percent for the years 2024 and 2023.

c. Reconciliation between the theoretical profit before taxes and the tax expense

The difference between the statutory tax rate (23%) and the effective tax rate (0%) is primarily due to non-recognition of deferred tax assets and liabilities on losses and other temporary differences.

NOTE 9 - OTHER ACCOUNTS PAYABLE

	December 31	
	2024	2023
Employees benefit obligation	324	154
Advance payments from trade receivables	450	159
Deferred revenue	41	-
Vacation provision and other employees' accrual	100	77
Government institutions	44	-
Other	111	43
	<u>1,070</u>	<u>433</u>

NOTE 10 - LONG-TERM BANK LOAN, NET OF CURRENT MATURITIES

1. Composition:

	December 31	
	2024	2023
Long-term liability	87	152
Less: current maturities	(74)	(64)
	<u>13</u>	<u>88</u>

2. Aggregate maturities of long-term loans for years subsequent to December 31, 2024 are as follows:

First year	74
Second year	13
	<u>87</u>

NOTE 10 - LONG-TERM BANK LOAN, NET OF CURRENT MATURITIES (cont.)

3. Additional information regarding long-term loans:

Date Received	Original 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 of principal and interest (once year grace for principal) *	Monthly basis

The loan is a state-guaranteed loan, received by t42 Israel as assistance due to the spread of the Covid -19 virus. Per the loan's conditions, interest for the first year was paid by the State of Israel. As of December 31, 2024 the interest prime rate was 6%.

See also Note 13 regarding charges.

NOTE 11 - CONVERTIBLE LOANS AND FINANCIAL LIABILITIES IN FAIR VALUE

- a. During July 2023 the Company received a convertible loan, total amount of \$1.3m provided by Ewave Mobile Ltd. The loan bears interest of 10% per annum to be paid on a monthly basis. The Loan, together with accrued interest at the time of conversion, may be converted, at the discretion of the Lender, at any time prior to the Loan repayment date, into such number of shares as corresponds to 29.5% of the Company's issued ordinary share capital immediately following such conversion. The Loan may be converted in part, on a pro rata basis to the above terms. On 30 September 2024 an addendum with the lender was signed, to extend the original due date from 20 January 2025 to May 20, 2025.

The Company examined the discounted present value of the future cash flows of the loan according to the new maturity date discounted at the original effective interest rate (before the change in terms) and found that it was different by more than 10% from the discounted present value of the remaining cash flows of the loan before the change in terms. Therefore, the Company treated the change in terms as a substantial modification in terms of debt and accordingly derecognized the original loan components on the date of the change and recognized the loan components under the new terms at their fair values as of that date. The difference between the original loan components that were derecognized and the fair value of the components on the date of the change in terms amounted to approximately \$ 191,000. It was recorded as finance income in the profit and loss statement.

On the day of recognition, the loan amount (\$1.3M) was divided into components: a conversion component and anti-dilution component which are measured at fair value, and a residual component of liability of the loan in amortized cost.

As of December 31, 2024 the values of components are as follows:

- Conversion component of the convertible loan and anti-dilution liability component at fair value – \$107k.
- Amortized cost of a convertible loan \$1,083K.
An effective interest rate was calculated for the liability component of the loan, based on its amortization table. After deducting the conversion and anti-dilution component it is 79.47% per annum.

NOTE 11 – CONVERTIBLE LOANS AND FINANCIAL LIABILITIES IN FAIR VALUE (cont.)

- b. During December 2021, The Company received third parties loans in the total amount of \$1,251 thousand (£925K) 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 bore interest at the rate of 8% per annum calculated by reference to the principal amount of the convertible loans. If not converted, the loans were supposed to be repayable on December 31, 2023. In addition, the lenders received total amount of 3,083,334 warrants to subscribe further shares at an exercise price of £0.19-0.17 per share. Any unexercised warrant expires at the end of three-years from grant.

As of 31 December 2023, the loan was not repaid and in February 2024 the company successfully negotiated the extension of the maturity date of the loan (original principal of £925K and accrued interest of £71K) until 20 January 2025. The following terms have been agreed with the lenders as part of the extension:

- The interest payable on the loan shall be 10% per annum to be paid in a monthly basis, commencing from 1 January 2024.
- Conversion: the lenders will have the right to convert, at their discretion, the amount of the loan into the number of company shares (“Conversion Shares”) corresponding to 28.82% of the company issued ordinary share capital immediately following the date of conversion, if the aggregate loan amount is converted, and into a pro-rata number of Conversion Shares in case of a partial conversion. The lenders shall not issue a conversion notice if this would result in a breach of Rule 9 of the UK Takeover Code.
- Anti-dilution: the agreement includes anti-dilution provisions to protect the equity interest percentage of the lenders, so that in the event of the exercise or conversion of existing warrants, options, or other instruments convertible into the company's ordinary shares (subject to certain exceptions), the lenders will be issued for no additional consideration such number of shares such that, together with the shares already held, each lenders percentage shareholding shall remain the same.
- Security: security provided by way of parent guarantee, fixed, and floating charges over the assets of t42. The floating charge ranks pari passu with the floating charge provided to Ewave under the Ewave loan and the fixed charge security over the intellectual property rights of t42 is second ranking, subordinated only to the fixed charge in favor of Ewave under the Ewave loan.
- Conversion/Repayment Event: In the event of a certain major transaction or financing investment, the lender may elect for conversion or repayment of the loan.
- Cancellation of warrant: 1,541,667 outstanding 3-year warrant granted to the lenders in December 2021 have been cancelled.

In conjunction with the agreement, the company also entered into an addendum with Ewave, pursuant to which Ewave consented to the loan extension and will also have the same conversion rights in the event of a major transaction.

On 30 September 2024 an addendum with the lenders was signed, to extend the due date from 20 January 2025 to May 20, 2025, with no other changes in the loan's terms.

The Company examined the discounted present value of the future cash flows of the loan based on the new maturity date discounted at the original effective interest rate (before the change in terms) and found that it does not differ by more than 10% from the discounted present value of the remaining cash flows of the loan before the change in terms. Accordingly, the original loan components were not derecognized and no new liability components were recognized at fair value. A loss of \$1,000 from the adjustment to the present value was recognized as finance expenses in the profit and loss statement.

NOTE 11 – CONVERTIBLE LOANS AND FINANCIAL LIABILITIES IN FAIR VALUE (cont.)

On the day of recognition, the loan amount (£996K) was divided into components: a conversion component and anti-dilution component which are measured at fair value, and a residual component of liability of the loan measured in amortized cost.

As of December 31, 2024, the values of components are as follows:

- Conversion component of the convertible loan and anti-dilution liability component at fair value – \$97k.
- Amortized cost of a convertible loan – \$1,313K.

An effective interest rate was calculated for the liability component of the loan, based on its amortization table. After deducting the conversion and anti-dilution component it is 10.7% per annum.

- c. 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 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 % of the loan, and a deposit with CSS of 3,000,000 shares. In addition, warrants for a total of 2,976,185 company's shares have been issued to CSS, exercisable at 7p per share over 5 years. During the year 2024 the loan and accrued interest were fully paid. As of December 31, 2024 the fair value of the warrants is \$34k.
- d. 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 loan bears interest at 3% per annum, payable quarterly, and is repayable by 31 December 2024. The loan is convertible at 9p per share at the discretion of the holder (In the event that the company does not comply with the loan terms, the conversion price will be updated according to the mechanism stipulated in the loan agreement). In addition, the Company had the right to enforce conversion of £100,000 of the loan in the event share price exceeds 12p and full loan balance if the share price exceeds 15p. As of December 31, 2024 the loan was not paid and its balance (including accrued interest) is \$349k.

After the balance sheet date, a binding oral agreement was reached between the Company and the supplier's representative, according to which the supplier will waive all remedies to which it is entitled in the case of the Company's failure to repay the loan, as well as waiving the option to convert the loan into shares, so that starting January 1, 2025, the loan will become a debt bearing annual interest (3%) only and will be repaid in cash from time to time in an agreement to be reached by the parties.

- e. As of December 31, 2024, the fair values of the Warrants and the components relative to the two convertible loans were measured by an independent appraiser under the main assumptions as follows:

Stock Market Value	£0.0325
Expected term	3.3 years
Expected average volatility	79.2%
Expected dividend yield	0%
Risk-free interest rate	4.19%

The Company also assumed the probability that the lenders will convert the loans into shares on May 20, 2025 is approximately 60% and that in case that the loans are not converted on this date, the Company will not agree to an extension of the loan period (including granting the lenders the conversion option) beyond December 31, 2025.

The level of the fair value hierarchy is level three.

The table hereunder presents a reconciliation from the opening balance to the closing balance of financial liabilities carried at fair value level 3 of the fair value hierarchy:

	Anti-dilution and Conversion components	Warrants	Total
Balance as of January 1, 2024	31	12	43
Additions during the year	350	-	350
Finance expenses, net	171	22	193
Settlements	(348)	-	(348)
Conversions	-	-	-
Balance as of December 31, 2024	204	34	238

NOTE 12 - SHORT-TERM BANK CREDIT

	December 31	
	2024	2023
Bank overdraft (bears an average annual interest rate of 10%)	13	42
Short-term bank loan (bears an annual interest rate of 9.5%)	55	103
	<u>68</u>	<u>145</u>

NOTE 13 - CHARGES

In respect of bank credit and loans set out in Notes 12 and 10 above and convertible loans set out in Note 11 above, charges were placed as follows:

1. A charge on the t42 Israel's IPs and Intangible assets,
2. A floating pledge on the assets of t42 Israel.
3. A guarantee of the company in accordance with certain t42 Israel's bank liabilities up to 10M \$.
4. A pledge on a bank deposit of t42 Israel. See note 5.
5. A pledge on a certain bank account of t42 Israel up to 180K NIS (approx. 49k\$)
6. A Secondary fixed and floating pledge on t42 assets.

NOTE 14 - EQUITY

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

As of December 31,	
2024	2023
<u>55,126,357</u>	<u>54,917,055</u>

- b. Company share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.
- c. In October 2023, 530,233 ordinary shares of no-par value were issued following the exercise of options by director.
In January 2024, 209,302 ordinary shares of no-par value were issued following the exercise of options by director at nil cost.

NOTE 14 - EQUITY (cont.)

d. 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:

	2024		2023	
	Number of	Weighted average exercise price	Number of	Weighted average exercise price
	options	£	options	£
Share options & warrants outstanding at the beginning of year	10,876,650	0.166	12,545,222	0.177
Warrants granted during the year			-	-
Options & Warrants exercised during the year (See note 14C).	(209,302)	-	(530,233)	-
Options & Warrants expired during the year (See note 11B)	(3,083,334)	0.18	(1,138,339)	0.37
Share options & warrants outstanding at end of year	<u>7,584,014</u>	<u>0.156</u>	<u>10,876,650</u>	<u>0.166</u>
Share options & warrants exercisable at end of year (1), (2)	<u>7,584,014</u>	<u>0.156</u>	<u>10,713,651</u>	<u>0.159</u>

- (1) The balance as of December 31 includes 2,976,185 options granted to CSS (see Note 11C).
- (2) The remaining warrants, amounting to 4,607,829, are warrants granted to employees, managers and directors of the Company as share-based compensation in a number of grants in previous years, the most recent of which was in 2021. The warrants vested over three years from the date of their grant until May 2024 and are exercisable for consideration of £0-£0.40 per warrant over 10 years from their date of maturity (July 2026-May 2034).

NOTE 15 - COST OF REVENUES

	Year Ended December 31,	
	2024	2023
Purchases and manufacturing	1,687	1,184
Communication Suppliers and Others	343	368
Amortization	213	187
Change in inventory	322	143
	<u>2,565</u>	<u>1,882</u>

NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES**a.**

	Year Ended December 31,	
	2024	2023
Salaries and related expenses (2)	907	978
Professional services (1)	395	138
Doubtful accounts and bad debts	23	12
Amortization and Depreciation	310	267
Office maintenance	198	187
Car maintenance (2)	55	83
	<u>1,888</u>	<u>1,665</u>

(1) Including share-based payment to directors and senior management in the amounts of \$5k and \$7k for the years ended December 31, 2024 and 2023, respectively. See also Note 14d.

(2) Including CEO's salaries and related expenses in the amount of \$216K (2023: \$195K).

b. Average Number of Staff Members by Category:

	Year Ended December 31,	
	2024	2023
Sales and marketing	5	4
Research and development	3	3
General and administrative	11	11
	<u>19</u>	<u>18</u>

NOTE 17 - FINANCE INCOME

	Year Ended December 31,	
	2024	2023
Exchange rate differences, net	72	27
Gain from modification of debt terms (see note 11 A, B)	190	-
Changes in fair value of financial liabilities	-	577
	<u>262</u>	<u>604</u>

NOTE 18 - FINANCE EXPENSES

Loans interest	(768)	(749)
Bank charges	(37)	(73)
Interest to suppliers and institutions	(71)	(5)
Interest to a related party	(10)	(10)
Changes in the fair value of financial liabilities (See note 11E)	(193)	-
Others	(47)	(65)
	<u>(1,126)</u>	<u>(902)</u>
Net finance expenses	<u>(864)</u>	<u>(298)</u>

NOTE 19 - SALES AND MARKETING

	Year Ended December 31,	
	2024	2023
Salaries and related expenses	232	390
Sales commissions	49	53
Travel expenses	34	14
Others	51	28
	<u>366</u>	<u>485</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 20 - LOSS PER SHARE

Weighted average number of shares used in computing basic and diluted loss per share:

Year Ended December 31,	
2024	2023
55,117,182	54,064,060

In calculating the loss per share for 2024 and 2023 warrants granted to employees, CSS option and convertible loans were not taken into account because their effect was anti-dilutive.

NOTE 21 - RELATED PARTIES

- a. The related parties that own shares of the company are:

Mr. Avraham Hartmann who serves as a director and CEO (8.40%) , Mr. Uri Hartmann, a son of Mr. Avi Hartmann, who serves as CTO (5.57%) and Mr. Igor Vatenmacher, who served as a CFO during the reported periods and director (0.82%).

- b. Current debit (credit) balances:

	December 31,	
	2024	2023
<u>Current account</u>		
Avi Hartmann	36	52
Uri Hartmann	(585)	(570)
Total Credit Balance	(549)	(518)
<u>Loans to (from)</u>		
Avi Hartmann	-	6
Uri Hartmann	(221)	(227)
Total Loans	(221)	(221)
	(770)	(739)

- c. Shareholders' current credit balances are mainly related to deferred salaries. Loans from shareholders accrue 4% annual interest.

- d. Transactions:

	Year Ended December 31,	
	2024	2023
Total salaries and related expenses for Mr. Avi Hartmann and Mr. Uri Hartmann, including car maintenance (1)	426	339
Salaries and related expenses for Mr. Igor Vatenmacher, including car maintenance	171	161
Non-executive directors' fees (2 persons), (2)	108	96
Total share-based payment (5 persons)	4	2
Interest to related parties	10	10

(1) Mr. Uri Hartmann's salaries and related expenses are included in R&D expenses (2024:

210K\$), Regarding Mr. Avi Hartmann – see note 16(a)(2).

(2) As of 31December 2024 the company owes them 204K\$.

- e. Mr. Avi Hartmann and Mr. Uri Hartmann are each entitled to benefits, in addition to a monthly salary of 12K\$, that include inter alia a vehicle, a cellular phone, a pension fund and a professional enrichment fund. In addition, each of them is entitled to reimbursement for expenses incurred in connection with their duties and 22 days of annual leave. Each of the Company and the aforementioned may notify the other party of the termination by giving 6 months' notice. The Company has a right to offset any debt of the aforementioned against any compensation due to them.

NOTE 21 - RELATED PARTIES (cont.)

- f. As of December 31, 2024 each of Mr. Uri Hartmann and Mr. Avi Hartmann has approximately 1,165 thousand warrants convertible into the Company's shares in a ratio of 1:1 in consideration of 0.15-0.4 £ per warrant. Unexercised warrants will expire from July 2026 to May 2034. The two non-executive directors together have approximately 1,178 thousand warrants convertible into the Company's shares in a ratio of 1:1 in consideration of 0 - 0.4 £ per warrant. Unexercised warrants will expire from July 2026 to May 2029.

NOTE 22 - FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

a. Financial Risk Factors:

The Group's operations expose it to a variety of financial risks, mainly 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.

1) Exchange rate risk

The Group is exposed to currency risk on sales, purchases, receivables and borrowings that are denominated in a currency other than the respective functional currency of Group, the US dollar (USD). While most of the Group's revenues, purchases, and manufacturing costs are denominated in dollar, operating expenses (primarily salaries and overhead) are paid in NIS and some of the headquarters' expenses are paid in GBP. Changes in the exchange rates of the NIS and the GBP against the dollar can cause losses for the Company.

2) Credit risk

The Group's credit risk arises principally from the Group's receivables from customers. The carrying amounts of financial assets and contract assets represent the Group's maximum credit risk exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and region in which customers operate, as these factors may have an influence on credit risk. See also note 24.

The Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, and usually an advanced payment of 25-50% is required before shipping.

The Group holds cash and cash equivalents mainly with big banks in Israel and therefore believes its cash and cash equivalents have low credit risk.

3) Liquidity risks

Cash flow forecasts are determined on both an individual company basis and a consolidated basis.

The Company examines current forecasts of its liquidity requirements so as to make certain that there is sufficient cash for its operating needs, and it is careful at all times to have enough cash that the Company does not exceed its credit limits. These forecasts take into consideration matters such as the Company's plan to use a bank short term credit for financing its activity and the group's liabilities.

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the future rates forecasted at the reporting date, including estimated interest payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 22 - FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS (cont.)

b. The Group's exposure to linkage and foreign currency risk was as follows:

December 31, 2024						
NIS		U.S. Dollar	GBP	Euro	Total	
Unlinked	Variable Interest	Unlinked				
Financial Assets:						
Cash and cash equivalents	35	-	108	-	4	147
Short-term deposit	-	9	-	-	-	9
Trade receivables, net	91	-	721	-	64	876
Other accounts receivable	(175)	-	205	-	-	30
Financial Liabilities:						
Short-term bank credit	-	(68)	-	-	-	(68)
Long term bank Loan	-	(87)	-	-	-	(87)
Trade payables	(702)	-	(84)	(319)	(1)	(1,106)
Other accounts payable	(435)	-	-	-	-	(435)
Leasehold liabilities	(972)	-	-	-	-	(972)
Related parties	(983)	(245)	458	-	-	(770)
Amortized cost of other loans	-	-	(1,082)	(1,662)	-	(2,744)
Financial liabilities in fair value	-	-	(141)	(97)	-	(238)
	<u>(3,141)</u>	<u>(391)</u>	<u>185</u>	<u>(2,078)</u>	<u>67</u>	<u>(5,358)</u>
December 31, 2023						
NIS		U.S. Dollar	GBP	Euro	Total	
Unlinked	Variable Interest	Unlinked				
Financial Assets:						
Cash and cash equivalents	10	-	172	-	4	186
Short-term deposit	-	35	-	-	-	35
Trade receivables, net	45	-	812	-	35	892
Other accounts receivable	27	-	-	-	-	27
Financial Liabilities:						
Short-term bank credit	-	(42)	-	-	-	(42)
Short-term bank loan	-	(103)	-	-	-	(103)
Non-bank loans	-	-	(1,395)	-	-	(1,395)
Trade payables	-	(489)	(200)	(153)	(2)	(844)
Other accounts payable	(433)	-	-	-	-	(433)
Leasehold liabilities	-	(982)	-	-	-	(982)
Related parties	-	(739)	-	-	-	(739)
Long-term loans from banks	-	(152)	-	-	-	(152)
Financial liabilities of convertible loans	-	-	(1,202)	-	-	(1,202)
	<u>(351)</u>	<u>(2,472)</u>	<u>(1,813)</u>	<u>(153)</u>	<u>37</u>	<u>(4,752)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 22 - FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS (cont.)

c. Sensitivity:

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		
2024	(141)	141
2023	(134)	134

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		
2024	3	(3)
2023	2	(2)

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		
2024	(104)	104
2023	(8)	8

d. The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the future rates forecasted at the reporting date, including estimated interest payments:

As of 31 December 2024,

	Carrying amount	Up to six month	6-12 months	1-2 years	3-4 years	Total contractual cash flows
Related parties	770	-	780	-	-	780
Trade and other payables	1,541	540	1,001	-	-	1,541
Long term bank loan (1)	87	39	38	13	-	91
Short term bank credit (1)	68	70	-	-	-	70
Other loans (2)	2,744	3,061	-	-	-	3,061
	<u>5,210</u>	<u>3,710</u>	<u>1,819</u>	<u>13</u>	<u>-</u>	<u>5,543</u>

(1) The interest payments on variable interest rate loans may be different from the amounts in the above table.

(2) Due to ongoing negotiations with lenders management believes that the actual cash flows of these liabilities will differ materially from the above.

e. Fair value

As of December 31, 2024, 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.

See also note 11E regarding financial instruments measured in fair value.

NOTE 23 - LEASES

Group as a lessee

The Group has lease contracts for offices and 9 vehicles used in its operations. The lease of the offices is for 5 years with an extension option of another 5 years, while vehicles leases are for 3 years.

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

	Offices	Vehicles	Total
Balance at January 1, 2023	941	40	981
Additions	-	231	231
Depreciation expenses	(104)	(64)	(168)
Balance at December 31, 2023	837	207	1,044
Additions	-	66	66
Effect of Index linkage	148	-	148
Depreciation expenses	(122)	(97)	(219)
Balance at December 31, 2024	863	176	1,039

Below are the carrying amounts of lease liabilities and the activities during the period:

	2024	2023
As at January 1	(982)	(902)
Additions	(66)	(231)
Effect of Index linkage	(148)	-
Exchange rate differences	4	24
Payments	191	127
Others	29	-
Balance at December 31	(972)	(982)
Current liabilities	(202)	(168)
Non-Current liabilities	(770)	(814)

Maturity analysis – Contractual discounted cash flows (*)

One to Two years	361
Three to Five years	249
Six to Ten years	362
Total discounted lease liabilities on December 31, 2024	972

(*) including potential future payments related to the extension period.

The following are the amounts recognized in profit or loss:

	2024	2023
Depreciation expenses of right-of-use assets	(219)	(168)
Interest expenses on lease liabilities	(54)	(55)
Total amount recognized in profit or loss	(273)	(223)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 23 - Leases (cont.)

The Group had total cash outflows for leases of \$242 in 2024 (\$127 in 2023). The Group also had non-cash additions to right-of-use assets and lease liabilities of \$66 in 2024 (\$231 in 2023)

NOTE 24 - CUSTOMERS AND GEOGRAPHIC INFORMATION

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

	Year Ended December 31,	
	2024	2023
Customer A	34%	8%
Customer B	6%	5%
Customer C	6%	4%

b. Breakdown of consolidated revenues to unaffiliated customers according to geographic regions

	Year Ended December 31,	
	2024	2023
Latin America	13%	11%
Europe	8%	12%
Africa	20%	29%
Asia	3%	3%
Middle East	42%	27%
North America	14%	18%
Total	100%	100%

NOTE 25 - SEGMENTATION REPORTING

The Group has two reportable segments: Hardware and SaaS, which form the Group's strategic business units.

The strategic business units offer different products and services and the allocation of resources and evaluation of performance are managed separately because they require different resources. For each of the strategic business units, the Group's CEO reviews internal management reports on a quarterly basis. The accounting policies of revenue recognition for each segment are described in Note 2C(k). There is no inter-segment transaction.

Performance is measured based on segment gross profit (loss) as included in reports that are regularly reviewed by the CEO. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information regarding the results of each segment is included below:

	Hardware	SaaS
Year Ended 31.12.2024:		
Segment revenues	2,036	2,122
Cost of revenues	(2,182)	(383)
Gross profit (loss)	<u>(146)</u>	<u>1,739</u>
Year Ended 31.12.2023:		
Segment revenues	2,019	1,986
Cost of revenues	(1,611)	(271)
Gross profit	<u>408</u>	<u>1,715</u>

NOTE 26 - SIGNIFICANT EVENTS AFTER THE REPORTED PERIOD

- a. Further to the details of Note 11 A and B in connection with the convertible loans provided to the Company, the Company defaulted on the loans on May 20, 2025. As of the date of approval of the financial statements, the Company is negotiating with the lenders , and has received non-binding proposals, regarding the extension of the loan period and the manner of their repayment/conversion into shares.

- b. In February 2025 the Company completed a capital raising in a total (gross) amount of £262,500, in which the Company issued to investors 10,500,000 shares of the Company and 10,500,000 warrants. The warrants are convertible into shares of the Company in a ratio of 1:1 in exchange for £0.05 per warrant for a period of 3 years from the date of their issuance. The proceeds of the offering, net of issuance expenses, amounted to approximately £253,375.