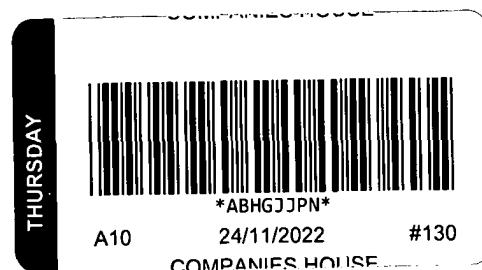


Company Registration No. 05300693 (England and Wales)

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
COMPANY INFORMATION**

Directors

Dr J Addison	(Appointed 31 August 2021)
Mr P Dal Pino	(Appointed 1 September 2021)
Mr M Haxby	(Appointed 31 August 2021)
Mr E Shefer	

Company number

05300693

Registered office

Cannon Place
78 Cannon Street
London
EC4N 6AF

Accountants

Citroen Wells
Chartered Accountants
Devonshire House
1 Devonshire Street
London
W1W 5DR

**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
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TELIT COMMUNICATIONS LIMITED (FORMERLY TELIT COMMUNICATIONS PLC) STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

Telit Communications PLC was delisted from the London Stock Exchange on 14 September 2021. It was subsequently renamed Telit Communications Limited.

In the past few years Telit Communications Limited ("Telit") has undergone a successful and significant transformation and is a global leader in Internet of Things ("IoT") enablement. This continued throughout 2021, with the cessation of the company's PLC status and it re-registering as private. The key achievements of the year include:

- Continued to focus on industrial IoT products and solutions;
- Optimised the business structure to maintain focus on growth, improved profitability for future cash generation;
- Delivered continued growth for IoT cloud and connectivity services despite the challenging pandemic period.

Strategy

Telit continues to be a significant player in the industrial IoT market and has established itself as a leading end-to-end IoT provider enabling enterprises to successfully execute their digital transformation. The company is focused on products and connected devices that help develop and maintain its leading position in the IoT market and is increasingly expanding into integrated and value-added software and services.

Telit believes in end-to-end solutions: connected devices must become more efficient in processing, more scalable and user friendly, with software playing a key role in simplifying and enterprise's approach to IoT. The company's integrated business approach enables it to focus on synergies, leveraging the combined offering of modules (cellular and short range), the IoT connectivity and the IoT platform and portal.

The company has identified the industrial IoT market as the main driver of the digital transformation for enterprises and is committed to maintaining and growing its leading position in the IoT products market, and increasing the value and differentiation of its products.

Principal risks and uncertainties

Telit has a risk management remuneration process to identify, assess and monitor the principal risks that the business faces. A detailed assessment of those risks that the company believes could seriously affect the business model, future performance, solvency or liquidity has been performed, and those principal risks identified have been set out below. These are those risks that are considered to be most significant, however they do not comprise all the risks associated with the business and are not set out in priority order.

Market Growth

Telit's future success is dependent on the continued growth in the overall size of the IoT market. A decline in the average selling price of IoT modules or number of IoT modules sold, or a combination of both, would decrease Telit's addressable market and its growth opportunities. Telit is well positioned to detect any change within the IoT market. Accordingly the management team reviews the strategy and long-term product development plans to test whether Telit is developing the technology that will meet the future needs of the industry.

Competition

Telit has experienced and expects to continue to experience strong competition from a number of companies including competitors that offer low cost products. These competitors may announce or develop new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause greater than expected price reductions, reduces gross margins and loss of market share, any of which could have a material adverse effect on Telit's business. Telit has mechanisms and strategies in place to mitigate the challenges provided by competitors through the range of different products, creating a differentiating factor in the company's offerings to its clients. The provision of IoT services also help to differentiate the company from the hardware only competitors.

**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties (continued)

Dependency upon key intellectual property and risk of infringement

Telit's success depends in part on its ability to protect its rights in its intellectual property ("IP"). Telit relies upon various intellectual property protections, including patents, copyright, trademarks, trade secrets and contractual provisions to preserve its intellectual property rights. Despite these precautions it may be possible for third parties to obtain and use Telit's intellectual property without its authorisation. Telit may also be subject to claims from third parties that allege that Telit's products or services violate or infringe their intellectual property rights. Rights to intellectual property can be difficult to verify and, in such a situation, litigation may be necessary to establish whether or not Telit has infringed the intellectual property rights of others. To mitigate this risk, the company engages external IP experts to assist with the management of the the commercial aspects of the company's IP matters, ensuring that the ability to continue to use the IP is not restricted by infringement claims. The company also has policies, controls and processes to ensure the originality and confidentiality of IP created internally.

Dependency on key suppliers

The company's products include components some of which are purchased from a single, or limited number of suppliers. From time to time, certain components used in the products have been, and may be in the future, in short supply. Furthermore, a key supplier may decide to exit the market segment that caters to Telit's business. The company also depends on a limited number of manufacturing partners that purchase components and manufacture the company's range of products. Disruption in any one of these areas of the business' supply chain could result in a delay in filling orders and potential reputational damage with customers and future loss of business. In order to mitigate the risk of this, the company is maintaining relationships with as many suppliers as possible. In manufacturing, Telit maintains relationships with several manufacturing partners to provide backup manufacturing in the event of a disruption to a primary partner.

Key performance indicators

The company considers several indicators to measure Telit's financial and operational performance. Among all the indicators which management defines, the following are key indicators used to measure growth and profitability:

Revenues

Company revenues increased by 3.5% to \$42.7 million during the year, of which cloud and connectivity services were \$18.8 million, and IoT products revenue was \$6.1 million.

Cloud and Connectivity Revenues increased by 19.3% compared to 2020, which is an encouraging trend for the company, highlighting both the growing demand for dedicated cloud and connectivity services, and the scalability of the business. This continues a trend highlighted last year and the company is confident that it will continue in the coming years.

IoT Products Revenues also experienced overall growth in the year, increasing by 8.8% compared to 2020. These revenues had been affected by the impact of Covid-19 on the business but the company takes confidence from the performance in 2021 that they will recover to pre-pandemic levels. The remainder of the company revenue is derived from royalties income and revenues from other group companies.

Gross Profit and Gross Margin

Gross profit was \$14.4 million, an increase of 13.4% compared with 2020. The company experienced an overall decline in revenues resulting from the Covid-19 pandemic during 2020 and the increase reflects the recovery during 2021. Telit's gross margin also increased from 30.7% in 2020 to 33.6% in 2021, which the company attributes to the revenue mix changing to focus more on services, with the continued growth of the IoT cloud and connectivity segment revenue growth.

TELIT COMMUNICATIONS LIMITED (FORMERLY TELIT COMMUNICATIONS PLC) STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Other performance indicators

During the year awards were won by the company and its subsidiaries for some of its products and activities:

- Telit NExT:
 - Mobile Breakthrough IoT Innovator of the Year
 - IoT Innovator Network Solution — Gold
 - Fierce Innovation Award IoT Category
- FN980 5G Data Cards:
 - IoT Evolution Product of the Year
 - TMC Communications Solutions Product of the Year
 - IoT Evolution 5G Leadership Award
- Telit deviceWISE:
 - IoT Evolution Industrial IoT Product of the Year
 - IoT Evolution Product of the Year

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The primary stakeholders we consider in this regard are our employees, our shareholders and investors, and our customers and our suppliers. Our board recognises that a strong relationship with our stakeholders assists us in the delivery of our strategy in line with our long term values, and with sustainability of our business operations.

a. Employees

Our employees are looking for an innovative work environment and a supportive culture. We have confidence in our employees and are committed to providing them with the right tools to perform their roles and to enable them to be part of the system by expressing their thoughts and communicating their needs.

There continues to be more focus on the working environment and health and safety in light of Covid-19, and we have prioritised the safety and wellbeing of our employees. Telit transferred some of its employees to a hybrid work plan from both home and office as a safety precaution.

In the coming year, our management and executive directors will participate in further informal networking opportunities and round table meetings with employees, to enhance their satisfaction.

b. Customers and Suppliers

Our customers and suppliers are critical to our operation as a company and we constantly discuss the ways in which we can most efficiently communicate with them to achieve our mutual goals.

We continue to enhance how we engage with our customers and suppliers, enabling new technology and new communications tools and providing them with more friendly and secure solutions. Our senior sales team are constantly in touch with our customers, through frequent conversations and, when circumstances allow, attendance at trade shows. They are constantly exploring creative measures for serving and satisfying our customers and keep the board updated on any major issues that occur and on any necessary actions.

Our management and operations team are continuously working to enhance our supply chain and identifying additional suppliers around the globe, with the goal of ensuring that alternative options are in place.

**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2021

c. Shareholders and Investors

We rely on the support of shareholders and their opinions are important to us. We want to engage shareholders to have an in-depth understanding of our strategy and operational and financial performance, so that they can accurately assess the value of our shares.

We have an open dialogue with our shareholders through one-to-one meetings, group meetings and the Annual General Meeting. Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices. Shareholder feedback is recorded, discussed with management and their views are considered as part of the decision making process.

On behalf of the board

DocuSigned by:

.....816C265C4D02487
Mr E Shefer
Director

Date: ottobre 27, 2022 | 12:43 PDT
.....

TELIT COMMUNICATIONS LIMITED (FORMERLY TELIT COMMUNICATIONS PLC) DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

Telit Communications Limited ("Telit") develops, markets and sells cellular, Global Network Satellite System (GNSS) modules, short range wireless modules, Internet of Things ("IoT") managed connectivity and platform services, and on-board edge devices to the IoT.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr J Addison	(Appointed 31 August 2021)
Mr P Dal Pino	(Appointed 1 September 2021)
Mr M Haxby	(Appointed 31 August 2021)
Mr E Shefer	
Mr D Neiger	(Resigned 28 February 2022)
Mr S Duffy	(Resigned 31 August 2021)
Mr A Dixon	(Resigned 31 August 2021)
Mr M Patuano	(Resigned 31 August 2021)
Mr H Roesch	(Resigned 31 August 2021)
Mr G Sharon	(Resigned 31 August 2021)
Mr Y Yang	(Resigned 31 August 2021)

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 33 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

The company's principal financial are trade debtors, trade creditors and group balances, which arise directly from its operations.

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling.

**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
DIRECTORS' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2021

Financial instruments (continued)

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade Receivables are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Post reporting date events

On 15 February 2022, the company declared and paid a dividend totalling \$60,208,979.

Future developments

Telit Communications Ltd, together with Telit Group have plans to be the leading Western IoT solutions provider in 2022 and beyond. To enable Telit Group to accomplish this, Telit Communications Ltd will increase its workforce, products, services and offerings.

Changes in presentation of the financial statements

The company's financial statements in the prior year were presented as part of the consolidated accounts for the group that the company is the parent of. The financial statements in the current year are presented for the company as a single entity only.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

On behalf of the board

DocuSigned by:

816C285C4D02487
Mr E Shefer
Director

Date: ottobre 27, 2022 | 12:43 PDT

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	3	42,735	41,276
Cost of sales		(28,368)	(28,606)
Gross profit		14,367	12,670
Sales and marketing expenses		(3,277)	(3,153)
Administrative expenses		(12,818)	(10,481)
Technical consulting		(328)	(110)
Other operating income		1,291	23,517
Other exceptional items	4	(10,385)	-
Operating (loss)/profit	5	(11,150)	22,443
Investment income	8	30,126	1,511
Finance costs	9	(1)	(1)
Other gains and losses	11	(564)	(16,886)
Profit before taxation		18,411	7,067
Tax on profit	10	-	(4)
Profit and total comprehensive income for the financial year	28	18,411	7,063

The income statement has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the income statement.

**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2021

		2021	2020
	Notes	\$'000	\$'000
Non-current assets			
Property, plant and equipment	12	102	162
Investments	13	63,408	63,972
		<u>63,510</u>	<u>64,134</u>
Current assets			
Inventories	15	133	503
Trade and other receivables	16	144,212	75,835
Cash and cash equivalents		3,935	26,588
		<u>148,280</u>	<u>102,926</u>
Current liabilities	17	(37,053)	(16,765)
Net current assets		<u>111,227</u>	<u>86,161</u>
Total assets less current liabilities		<u>174,737</u>	<u>150,295</u>
Non-current liabilities	17	-	(14)
Provisions for liabilities			
Other provisions	20	(1,346)	(109)
Net assets		<u>173,391</u>	<u>150,172</u>
Equity			
Called up share capital	25	2,193	2,184
Share premium account	26	52,033	50,417
Capital redemption reserve	27	35,129	31,725
Other reserves		(7,719)	(6,495)
Retained earnings	28	91,755	72,341
Total equity		<u>173,391</u>	<u>150,172</u>

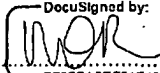
For the financial year ended 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

**TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021**

The financial statements were approved by the board of directors and authorised for issue on 27/10/2022 and are signed on its behalf by:

DocuSigned by:

FF2FBA5EF81F498..
Mr P Dal Pino
Director

Company Registration No. 05300693

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

		Share capital	Share premium account	Other reserve	Translation reserve	Retained earnings	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020		2,176	49,935	31,046	(4,545)	64,917	143,529
Year ended 31 December 2020:							
Profit and total comprehensive income for the year		-	-	-	-	7,063	7,063
Issue of share capital	25	8	482	-	-	-	490
Share-based payment charge	24	-	-	-	-	361	361
Share-based payments to subsidiaries		-	-	679	-	-	679
Other comprehensive income		-	-	-	(1,950)	-	(1,950)
Balance at 31 December 2020		<u>2,184</u>	<u>50,417</u>	<u>31,725</u>	<u>(6,495)</u>	<u>72,341</u>	<u>150,172</u>
Year ended 31 December 2021:							
Profit and total comprehensive income for the year		-	-	-	-	18,411	18,411
Issue of share capital	25	9	1,616	-	-	-	1,625
Share-based payment charge	24	-	-	-	-	1,003	1,003
Share-based payments to subsidiaries		-	-	3,404	-	-	3,404
Other comprehensive income		-	-	-	(1,224)	-	(1,224)
Balance at 31 December 2021		<u>2,193</u>	<u>52,033</u>	<u>35,129</u>	<u>(7,719)</u>	<u>91,755</u>	<u>173,391</u>

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Telit Communications Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in US Dollars. Sterling is the functional currency of the company and differences arising on translation are recognised in the translation reserve. Monetary amounts in these financial statements are rounded to the nearest \$'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company meets the definition of a qualifying entity under FRS 101 Reduced Disclosure Framework. These financial statements for the year ended 31 December 2021 are the first financial statements of Telit Communications Limited prepared in accordance with FRS 101. The company transitioned from IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 January 2020.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment and intangible assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- comparative narrative information;
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Telit IoT Solutions Holding Ltd. The group accounts of Telit IoT Solutions Holding Ltd are available to the public and can be obtained as set out in note 29.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Telit Communications Limited is a wholly owned subsidiary of Telit IoT Solutions Holding Ltd and the results of Telit Communications Limited are included in the consolidated financial statements of Telit IoT Solutions Holding Ltd which are available from Cannon Place, 78 Cannon Street, London, EC4N 6AF.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

In assessing going concern, directors have have considered (a) the risks related to the level of demand for the company's products which may also affect the possibility of utilising some of these facilities since they depend upon the level of sales in specific markets and in some instances to specific customers; (b) the fluctuations in the exchange rate and thus the consequence for the cost of the company's raw materials; (c) the continuity of supply from key suppliers; and (d) the company's budgets and forecasts in current market environments.

The directors have have also carefully reviewed the company's budget for 2021 and its medium-term plans, including the risk related to Covid-19. The directors have are mindful that the company operates in the IoT sector which remains a rapidly growing industry subject to ongoing change in technology and competitive landscape.

Management considered severe but plausible scenarios when assessing the going concern assumption. It was concluded that even in the worst-case scenario of revenue falling by 50%, the company would still have sufficient cash balances to be able to cover its current liabilities as they fall due.

After making enquiries, the directors have are confident that the company have adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the financial statements.

1.3 Revenue

Revenue from contracts with customers is recognised when control is transferred to the customer at the amount that reflects consideration to which the company expects to be entitled in exchange for goods or services. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The company sells its products and services to customers and distributors, which are considered end-customers.

The company recognises revenue from the following major sources:

- IoT Products
- Cloud and Connectivity Services
- Royalty income

The nature, timing of satisfaction of performance obligations and significant payment terms of the company's major sources of revenue are as follows:

IoT Products

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer. This generally occurs when the customer takes goods from the company's premises or its agent. In other cases, control of the assets is transferred when the goods are delivered to the specific location agreed with the customer.

The company provides warranties for general repairs of defects that existed at the time of sale of its IoT products, in accordance with general terms and conditions. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Cloud and Connectivity Services

Revenue from Cloud and Connectivity, being the major part of services revenue, is recognised over time, based on usage or on a straight-line basis, depending on the customer's contract.

Revenue for other services is recognised over time based on the progress of the project which is determined by surveys of work performed.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Royalty income

Revenue from royalties is receivable from other group companies and is recognised when the underlying sale occurs.

1.4 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- | | |
|-------------------------|-------------------------------|
| • Software and licenses | 3-7 years or the license term |
| • Trademark | 8 years |

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- | | |
|---------------------|----------------------------|
| Computers | 3 years |
| Right of use assets | Over the life of the lease |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Non-current investments

Investments in subsidiaries are stated at cost less impairment. The company's investments in subsidiaries are tested for impairment by comparison against the underlying value of the subsidiaries' assets.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

Finished goods are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Raw materials are presented at the lower of cost or net realisable value, with cost calculated using the weighted average method.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. All of the company's financial liabilities are classified as 'other financial liabilities'.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for warranty-related costs are recognised on the sale of IoT products. The company has provided for the estimated cost of replacement or repair of those products on which it expects to receive warranty claims during that period. The actual cost of warranty repair is dependent on the number of returns during the warranty period and the nature of the repairs to be undertaken or the product replacement cost. This provision is reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may differ from those provided. The accrual is on a case-by-case basis, where a provision is accrued based on a warranty claim or when negotiations reach an advanced stage. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

The company has applied the requirements of IFRS 2 Share-based payment.

The company issues equity-settled share based payments to certain employees and directors. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

Fair value is measured using an appropriate valuation model at the date of the grant.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The financial effect of awards by the company of options over its equity shares to employees of subsidiary undertakings is recognised by the company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in the subsidiary undertaking. The subsidiary, in turn, recognises the IFRS 2 cost in its statement of comprehensive income with a credit to equity to reflect the deemed capital contribution from the company.

TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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1 Accounting policies

(Continued)

Where the company has settled a grant of equity instruments during the vesting period, the company accounts for the settlement as an acceleration of vesting, and recognises immediately in the statement of comprehensive income the amount that otherwise would have been recognised for services received over the remainder of the vesting period. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is the otherwise beneficial to the employee.

1.18 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty

Share-based payments

The company has granted equity-settled share based payments to certain directors and employees. Such options are required to be fair-valued in accordance with the requirements of IFRS 2 Share-based payments.

Determination of the fair value requires the exercise of judgment regarding the applicable assumptions to be used as inputs into the fair value model, including the expected volatility, risk-free rate and expected option life. Changes in these assumptions would affect the fair-value of options and hence the amount recorded in the statement of comprehensive income.

3 Revenue

	2021	2020
	\$'000	\$'000
Revenue analysed by class of business		
Sale of IoT products	6,054	5,562
Sale of cloud and connectivity services	18,775	15,742
Royalty income	8,297	12,817
Revenue from group companies	9,197	6,896
Sale of platform services	412	259
	<u>42,735</u>	<u>41,276</u>

4 Other exceptional items

	2021	2020
	\$'000	\$'000
Expenditure		
Delisting and restructuring	7,439	-
Legal and other expenses relating to litigation and claims	1,378	-
Losses relating to the historical disposal of the group's automotive business	1,568	-
	<u>10,385</u>	<u>-</u>

Delisting and restructuring

The company delisted during 2021 and ceased to be a public company. It was restructured and purchased by private owners. The company incurred legal and professional costs of \$7,438,958 for the delisting and restructure.

TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4 Other exceptional items

(Continued)

Legal and other expenses relating to litigation and claims

The company incurred legal costs during 2021 in connection with a dispute over the termination of an ex-Director. Further details of the provision are included in note 20.

Losses relating to the historical disposal of the group's automotive business

The group that the company is the parent of sold its automotive business in 2019. As part of the sale agreement, the company continued to provide operational services to the automotive business. As at the year end, the debt outstanding relating to the provision of these operational services was considered to be irrecoverable and was written off as such.

5 Operating (loss)/profit

	2021	2020
	\$'000	\$'000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange gains	(228)	(597)
Depreciation of property, plant and equipment	63	31
Cost of inventories recognised as an expense	28,368	28,606
Share-based payments	1,003	361
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
Sales, marketing and operations	8	7
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2021	2020
	\$'000	\$'000
Wages and salaries	4,374	2,435
Social security costs	94	90
Pension costs	27	18
	<u> </u>	<u> </u>
	4,495	2,543
	<u> </u>	<u> </u>

7 Directors' remuneration

	2021	2020
	\$'000	\$'000
Remuneration for qualifying services	2,465	1,337
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

7 Directors' remuneration

(Continued)

The number of directors who exercised share options during the year was 1 (2020 - 1).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 1 (2020 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	2,138	947
	<u> </u>	<u> </u>

8 Investment income

	2021 \$'000	2020 \$'000
Interest income		
Interest on bank deposits	1	170
Interest receivable from group companies	1,178	1,341
	<u> </u>	<u> </u>
Total interest revenue	1,179	1,511
 Income from fixed asset investments		
Dividends received from shares in group undertakings	28,947	-
	<u> </u>	<u> </u>
Total income	30,126	1,511
	<u> </u>	<u> </u>

9 Finance costs

	2021 \$'000	2020 \$'000
Interest on other financial liabilities:		
Interest on lease liabilities	1	1
	<u> </u>	<u> </u>

10 Taxation

	2021 \$'000	2020 \$'000
Current tax		
Adjustments in respect of prior periods	-	4
	<u> </u>	<u> </u>

Of the charge to current tax in relation to discontinued operations, \$0 relates to tax on profits on ordinary activities and \$0 arose on disposal.

TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10 Taxation

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021 \$'000	2020 \$'000
Profit before taxation	18,411	7,067
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	3,560	1,364
Utilisation of tax losses not previously recognised	(3,560)	(1,364)
Under/(over) provided in prior years	-	4
Taxation charge for the year	-	4

At the year end the company had an estimated \$22,520,000 (2020: \$12,929,000) of tax losses available to carry forward against forward against future taxable profits.

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2021 \$'000	2020 \$'000
In respect of:		
Fixed asset investments	564	16,886
Recognised in:		
Other gains and losses	564	16,886

12 Property, plant and equipment

	Computers \$'000	Right of use assets \$'000	Total \$'000
Cost			
At 31 December 2020	249	91	340
Additions	4	-	4
Foreign currency adjustments	(3)	-	(3)
At 31 December 2021	250	91	341
Accumulated depreciation and impairment			
At 31 December 2020	114	64	178
Charge for the year	49	14	63
Foreign currency adjustments	(2)	-	(2)
At 31 December 2021	161	78	239

TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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12 Property, plant and equipment

(Continued)

	Computers	Right of use assets	Total
	\$'000	\$'000	\$'000
Carrying amount			
At 31 December 2021	89	13	102
At 31 December 2020	135	27	162

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2021	2020
	\$'000	\$'000
Net values		
Motor vehicles	12	26
Depreciation charge for the year		
Motor vehicles	14	14

13 Investments

	Non-current	
	2021	2020
	\$'000	\$'000
Investments in subsidiaries	63,408	63,972

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in non-current investments

	Shares in subsidiaries
	\$'000
Cost or valuation	
At 1 January 2021	63,972
Impairment	(564)
At 31 December 2021	63,408
Carrying amount	
At 31 December 2021	63,408
At 31 December 2020	63,972

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

14 Subsidiaries

(Continued)

Name of undertaking	Registered office	Principal activities
Telit Wireless Solutions Srl	Via San Nicola da Tolentino 1/5, 00187, Rome, Italy	No trading activities
Telit Communications SpA	5/b, Via Stazione di Prosecco, Sgonico (TS), 34010, Italy	Development, sale and distribution of m2m wireless products and services
Telit Wireless Solutions GmbH	Friesenweg 4 Haus 14, 2nd floor, 22763, Hamburg, Germany	Presales and other intra-Group services related to m2m wireless products and services
Telit Wireless Solutions, Inc	5425 Page Road, Suite 120 Durham, NC 27703, United States	Development, sale and distribution of m2m wireless products
Telit Communications Spain SL	Paseo della Castellana 141, Planta 20, 28046 Madrid, Spain	Presales of m2m wireless products
Telit Wireless Solutions Tecnologia E Servicos Ltda*	Av. Paulista, 1776 10th Floor Suite C, Sao Paulo, SP, Brazil	Sale and marketing of m2m wireless products and services
Telit Wireless Solutions Co Ltd	12th Fl., Shinyoung Securities Bld., 6, Gukjegeumyung, Yeoungdeungpo-gu, Seoul, Korea	Development, sale and distribution of m2m wireless products and services
Dai Telecom Holdings (2000) Ltd	10 Habarzel Street, Tel-Aviv 6971014, Israel	No trading activities
Telit Wireless Solutions Ltd.	10 Habarzel Street, Tel-Aviv 6971014, Israel	Intra-Group services related to m2m wireless products and services
Telist Wireless Services Ltd.*	10 Habarzel Street, Tel-Aviv 6971014, Israel	Distribution and sale of m2m wireless products and services
GlobalConnect Ltd	10 Habarzel Street, Tel-Aviv 6971014, Israel	No trading activities
Telit Wireless Solutions (pty) Ltd.*	Prism Office Park Building 1, Ruby Close, Fourways, Gauteng, 2121, South Africa	No trading activities
Telit Wireless Solutions Hong Kong Limited	Rm 8 17/F, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong	Distribution of m2m wireless products and services and intra-Group services
Telit Communications Cyprus Ltd.*	Arch. Makarios III, Ave 3-7, 6017, Larnaca, Cyprus	Intra-Group supply of m2m wireless products and services
Telit Technologies (Cyprus) Ltd.*	Arch. Makarios III, Ave 3-7, 6017, Larnaca, Cyprus	Development of m2m wireless products and services
Telit Wireless Solutions (Australia) Pty Limited*	Tower 1, Level 2, 495 Victoria Street, Chatswood, NSW 2067, Australia	Presales of m2m wireless products
Telit IoT Platforms, LLC*	5300 Broken Sound Blvd., Suite 150, Boca Raton, FL 33487, United States	Development and distribution of m2m wireless services; and intra-Group services
SecureWISE LLC*	5300 Broken Sound Blvd., Suite 150, Boca Raton, FL 33487, United States	Development and distribution of m2m wireless services
Telit Wireless Solutions (Shenzhen) Ltd.*	Room 806, East building of Coast City, No.3 Hai De Avenue, NanShan, Shenzhen, China	Presales of m2m wireless products, and other intra-Group services
Telit Wireless Solutions Japan KK	Ebisu Garden Place Tower, 18th Floor, Ebisu 4-20-3, Shibuya-ku, Tokyo, Japan	Presales of m2m wireless products, and other intra-Group services
Telit Wireless Solutions (Shanghai) Ltd*	Room 13305, 498 Guoshoujing Road, Zhangjiang Hitech Zone Pudong, Shanghai, China	Presales of m2m wireless products and services, other other intra-Group services
GainSpan Corporation*	3590 North First Street, Suite 300, San Jose, CA 95134, United States	No trading activities
Telit Wireless Solutions Taiwan Limited*	6F-3 No.5, Sec.2, Anhe Road, Da-An District, Taipei, Taiwan	Presales of m2m wireless products and services, and other intra-Group services
Telit Communications India Private Limited*	#3E, Monarch Romani, 7th "C" Main, 3rd Block, Koramangala Industrial Layout, Bangalore, 560034, India	Development of m2m wireless products and services on behalf of related-parties

TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

14 Subsidiaries**(Continued)**

All subsidiary undertakings are 100% owned; their respective share capital is made up solely of ordinary shares.

* indicates that the entity is indirectly held by the company. All other entities are held directly by the company.

15 Inventories

	2021 \$'000	2020 \$'000
Finished goods	133	503

16 Trade and other receivables

	Current 2021 \$'000	2020 \$'000	Non-current 2021 \$'000	2020 \$'000
Trade receivables	5,003	4,528	-	-
Amounts owed by fellow group undertakings	80,929	19,739	57,532	50,450
Other receivables	-	227	181	196
Prepayments and accrued income	567	695	-	-
	<u>86,499</u>	<u>25,189</u>	<u>57,713</u>	<u>50,646</u>

17 Liabilities

		Current 2021 \$'000	2020 \$'000	Non-current 2021 \$'000	2020 \$'000
	Notes				
Trade and other payables	18	36,773	16,495	-	-
Taxation and social security		267	256	-	-
Lease liabilities	19	13	14	-	14
		<u>37,053</u>	<u>16,765</u>	<u>-</u>	<u>14</u>

18 Trade and other payables

	2021 \$'000	2020 \$'000
Trade payables	513	4,860
Amounts owed to fellow group undertakings	31,402	9,529
Accruals and deferred income	4,841	2,100
Other payables	17	6
	<u>36,773</u>	<u>16,495</u>

TELIT COMMUNICATIONS LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2021

18 Trade and other payables

(Continued)

The average credit period taken for trade purchases is 33 days. No interest is charged on the trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

19 Lease liabilities

	2021	2020
	\$'000	\$'000
Maturity analysis		
Within one year	13	14
In two to five years	-	14
	<u>13</u>	<u>14</u>
Total undiscounted liabilities	<u>13</u>	<u>28</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021	2020
	\$'000	\$'000
Current liabilities	13	14
Non-current liabilities	-	14
	<u>13</u>	<u>28</u>

	2021	2020
	\$'000	\$'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	1	1
	<u>1</u>	<u>1</u>

It is the company's policy to lease certain equipment under finance leases. The average total lease term is 4 years. The average effective borrowing rate for the year was 4%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

20 Provisions for liabilities

	2021	2020
	\$'000	\$'000
Intellectual property dispute provision	108	109
Termination provision	1,238	-
	<u>1,346</u>	<u>109</u>

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

20 Provisions for liabilities (Continued)

Movements on provisions:	Intellectual property dispute provision \$'000	Termination provision \$'000	Total \$'000
At 1 January 2021	109	-	109
Additional provisions in the year	-	1,238	1,238
Exchange difference	(1)	-	(1)
At 31 December 2021	<u>108</u>	<u>1,238</u>	<u>1,346</u>

The provision relating to intellectual property is recognised to cover the potential costs of a dispute over the use of the company's intellectual property.

The termination provision relates to the costs expected to be incurred to settle an ongoing legal dispute with an ex-director.

21 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

22 Retirement benefit schemes

	2021 \$'000	2020 \$'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>27</u>	<u>18</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**TELIT COMMUNICATIONS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

23 Contingent liabilities

Legal proceedings

A. Claim Filed by American Patents LLC ("American Patents"):

On 12 December 2021, American Patents LLC brought an action for patent infringement against Telit Communications Limited and Telit Wireless Solutions Hong Kong Ltd., before the U.S District Court for the Western District of Texas. At the year end, it was not possible to estimate the amount required to settle the matter. Following the year end, the parties entered a release and settlement agreement, for the total consideration of \$270,000, to be paid in two equal instalments. Following the payment of the first installment the claim was dismissed with prejudice.

B. Claim by Koninklijke Philips N.V. ("Philips"):

On 17 December 2020, Philips the owner of purportedly standard essential patents covering technology allegedly used by the Group in certain of its products, has issued proceedings in both the US International Trade Commission ("ITC") and U.S. District Court for the District of Delaware. Similar proceedings have been issued against several other leading industry participants.

On April 1, 2022, the Administrative Law Judge ("ALJ") issued his Final Initial Determination ("FID"), finding no violation of Section 337 of the Tariff Act. The ALJ expressly found that all asserted claims of the four patents were not infringed, that Philips had failed to satisfy the technical prong of the domestic industry requirement, and that certain of the asserted claims were invalid. The ALJ also found that the asserted patents were unenforceable on the basis of implied waiver.

On July 6, 2022, the full Commission adopted the findings of the FID that (i) the asserted claims of the four asserted patents are not infringed, (ii) Philips did not satisfy the technical prong of the domestic industry requirement with respect to any of the four asserted patents, and (iii) certain of the asserted claims were invalid. The Commission took no position on the issue of unenforceability. The Commission affirmed the FID's finding of no violation of Section 337 with respect to each of the four asserted patents and terminated the Investigation. Philips did not appeal the decision.

Further to this, the actions corresponding to the ITC case, have been administratively closed by order of the courts since 20 August 2021. The Court further ordered the parties to promptly notify the court when the ITC proceedings have been resolved so that the case may be reopened, and other appropriate action may be taken. To date, there is no indication that a petition for review has been filed.

In May 2022, regarding another action filed in Delaware, the Court agreed with Telit's proposal to try issues related to the alleged unenforceability of the asserted patents, first. At present, the parties are engaged in fact discovery, scheduled to close January 11, 2023.

Bank facilities, guarantees and liens

A. The company provides guarantees to certain banks in Italy to sustain long term loans granted by those banks to one of the company's subsidiaries. The guarantees are for a total amount of \$49.0 million (2020: \$53.4 million) but do not exceed the amount of current borrowings from these banks.

B. The company provided guarantees, in the ordinary course of business, of up to \$27.0 million (2020: \$27.0 million) to certain suppliers of the group to sustain credit lines granted by the suppliers to group companies in respect of purchases actually made.

C. The company has or will provide letters of support for certain subsidiaries. The directors don't anticipate the letters of support will have an adverse impact on future operation costs of the company.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

24 Share-based payment transactions

The company operates a share-based option plan for executive directors, senior managers and employees. The company has previously granted share options and Restricted Stock Units ("RSUs") to employees of the company and its subsidiaries. The RSUs convert into ordinary share capital at the point that they are exercised.

The company has not granted any new share options during 2020 or 2021.

The company granted 1,215,000 RSUs during 2021 (2020: 20,000). The RSUs vest three years from the grant date, subject to share price performance conditions being met. Vesting was reduced by 50% if share price targets were not met. In addition, attainment of a declined share price target on the 18th month following the grant date, would trigger vesting of 40% of the RSUs as of December.

The share options and RSUs were fully discharged by the time of the company restructure. All options and RSUs that had not been exercised at the time of the restructure were cancelled. There were no options outstanding at the end of the year.

The movement on share options during the year were as follows:

	Number of share options		Weighted average exercise price	
	Number of share options		Weighted average exercise price	
	2021	2020	2021	2020
			£	£
Outstanding at 1 January 2021	4,574,164	8,119,159	1.68	1.85
Forfeited in the period	(2,968,565)	(3,340,832)	1.67	2.07
Exercised in the period	(1,605,599)	(204,163)	1.78	1.81
Outstanding at 31 December 2021	-	4,574,164	-	1.68
Exercisable at 31 December 2021	-	1,357,488	-	1.77

The movement on RSUs during the year were as follows:

	Number of RSUs	
	2021	2020
Outstanding at 1 January 2021	1,207,500	1,869,500
Granted in the period	1,215,000	20,000
Forfeited in the period	-	(266,000)
Exercised in the period	(2,422,500)	(416,000)
Outstanding at 31 December 2021	-	1,207,500

All RSUs had an exercise price of £0.01.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

24 Share-based payment transactions

(Continued)

The fair value of services received in return for share options is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured using the Black-Scholes pricing model except for grants made that have market performance conditions associated, which are measured using the Monte Carlo pricing model.

During 2021, RSUs were granted on 01 February 2021. The weighted average fair value of the options on the measurement date was 2.20p. During 2020, RSUs were granted on 10 February 2020. The weighted average fair value of the options on the measurement date was 1.62p.

Inputs were as follows:

	2021	2020
Weighted average share price (pence)	1.61	1.61
Weighted average exercise price	0	0
Expected volatility (%)	-	-
Expected life (years)	5	5
Risk free rate (%)	-	-
Expected dividends yields (%)	-	-

Expected volatility was estimated by considering historic average share price volatility.

	2021 \$'000	2020 \$'000
Expenses		
Related to equity settled share based payments	1,003	361

A charge to the statement of comprehensive income in respect of any RSUs or options granted to employees are recognised and spread over the vesting period of the RSUs or options based on the fair value of the RSUs options at the grant date, adjusted for changes in vesting conditions at each balance sheet date.

These charges have no cash impact.

25 Share capital

	2021 Number	2020 Number	2021 \$'000	2020 \$'000
Ordinary share capital				
Allotted				
Ordinary shares of 1p each	-	56,447	-	-
Issued and fully paid				
Ordinary shares of 1p each	136,849,446	132,975,592	2,193	2,184

The company has one class of ordinary shares which carry no rights to fixed income.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

25 Share capital

(Continued)

Reconciliation of movements during the year:

	Ordinary shares allotted, issued and fully paid Number	Ordinary shares allotted Number
At 1 January 2021	132,975,592	56,447
Issue of fully paid shares	3,873,854	-
Shares allotted to a broker, held for the fulfillment of options and RSUs	-	1,549,152
Exercised	-	(1,605,599)
At 31 December 2021	136,849,446	-

During 2021:

- 1,549,152 ordinary shares were allotted to a broker during 2021 (2020: 341,003) to be held for the fulfilment of options and RSUs exercised by employees. The par value of these shares is paid to the company once they are used to fulfil an option or RSU exercise.
- 1,605,599 options were exercised by employees into ordinary shares (2020: 620,663), being the full remaining balance of shares allotted but not paid at that time.
- The share option scheme was fully discharged at the point that the company restructured and ceased to be a PLC.

As of 31 December 2021, the balance of ordinary shares held by the broker was nil (2020: 56,447).

26 Share premium account

	2021 \$'000	2020 \$'000
At the beginning of the year	50,417	49,935
Issue of new shares	1,616	482
At the end of the year	52,033	50,417

The share premium account is used to record the premium on shares issued.

27 Other reserve

	2021 \$'000	2020 \$'000
At the beginning of the year	31,725	31,046
Transfers	3,404	679
At the end of the year	35,129	31,725

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

27 Other reserve

(Continued)

The reserve is used to recognise the value of equity settled share-based payments provided to employees of subsidiaries as part of their remuneration.

During the year \$3,403,828 (2020: \$679,000) was incurred on the remuneration of employees from other group companies with share options in the company. This amount is recoverable from the companies that employ the individuals.

28 Retained earnings

Retained earnings represent accumulated profits of the company.

29 Controlling party

The parent company of Telit Communications Limited is Telit IoT Ltd, a company incorporated in England and Wales, with its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The company is consolidated into the financial statements of Telit IoT Solutions Holdings Ltd, a company incorporated in England and Wales, with its registered office at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020
	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales of goods		6,054		5,562
Sales of Connectivity Services		18,775		15,742
Sales of Platforms Services		412		259
Sales of Intercompany Services		9,197		12,817
Intercompany brand royalties		8,297		6,896
		<u>42,735</u>		<u>41,276</u>
Cost of sales				
Opening stock of finished goods	503		499	
Direct costs	27,998		28,610	
Closing stock of finished goods	(133)		(503)	
	<u></u>		<u></u>	
Total cost of sales		(28,368)		(28,606)
Gross profit		14,367		12,670
Other operating income				
Sundry income		1,291		23,517
Sales and marketing expenses	3,277		3,153	
Administrative expenses	12,818		10,481	
Technical consulting	328		110	
	<u></u>		<u></u>	
		(16,423)		(13,744)
Exceptional items				
Delisting and restructuring	(7,439)		-	
Legal and other expenses relating to litigation and claims	(1,378)		-	
Losses relating to the historical disposal of the group's automotive business	(1,568)		-	
	<u></u>	(10,385)		<u>-</u>
Operating (loss)/profit		(11,150)		22,443
Investment revenues				
Interest receivable from group companies	1,178		1,341	
Bank interest received	1		170	
Dividends receivable from group companies	28,947		-	
	<u></u>		<u></u>	
		30,126		1,511
Finance costs				
Finance lease interest payable		(1)		(1)

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020
	\$'000	\$'000	\$'000	\$'000
Other gains and losses				
Amounts written off fixed asset investments		(564)		(16,886)
Profit before taxation		<u>18,411</u>		<u>7,067</u>

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 \$'000	2020 \$'000
Sales and marketing expenses		
Wages and salaries	571	737
Social security costs	91	90
Staff recruitment costs	107	113
Staff welfare	7	3
Staff pension costs defined contribution	26	18
Equity settled share based payment costs	-	(2)
Rent re licences and other	6	14
Equipment repairs	25	31
Leasing - motor vehicles	4	-
Motor running expenses	6	8
Travelling expenses	5	32
Professional subscriptions	2	1
Legal and professional fees	55	59
Consultancy fees	743	390
Accountancy	2	4
Bad and doubtful debts	487	420
Insurances (not premises)	14	11
Advertising	1,056	1,183
Telecommunications	1	1
Other office supplies	2	2
Entertaining	2	6
Sundry expenses	2	-
Depreciation	63	32
	<u>3,277</u>	<u>3,153</u>

TELIT COMMUNICATIONS LIMITED
(FORMERLY TELIT COMMUNICATIONS PLC)
SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES
(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 \$'000	2020 \$'000
Administrative expenses		
Wages and salaries	335	-
Social security costs	3	-
Staff recruitment costs	44	-
Staff training	-	3
Staff pension costs defined contribution	1	-
Equity settled share based payment costs	1,003	363
Directors' remuneration	2,138	947
Directors' fees	327	390
Management charge - group	8,094	7,446
Rent re licences and other	2	-
Equipment repairs	18	11
Travelling expenses	22	17
Legal and professional fees	486	751
Consultancy fees	174	472
Accountancy	33	423
Bank charges	39	19
Insurances (not premises)	318	221
Advertising	-	1
Telecommunications	5	8
Other office supplies	-	3
Entertaining	2	3
Sundry expenses	2	-
Profit or loss on foreign exchange	(228)	(597)
	<u>12,818</u>	<u>10,481</u>