**Company registration number 05300693 (England and Wales)**

# TELIT COMMUNICATIONS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

# TELIT COMMUNICATIONS LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Dr J Addison<br>Mr P Dal Pino<br>Mr M Haxby<br>Mr E Shefer |
| **Company number** | 05300693 |
| **Registered office** | Cannon Place<br>78 Cannon Street<br>London<br>EC4N 6AF |
| **Accountants** | Citroen Wells<br>Chartered Accountants<br>Devonshire House<br>1 Devonshire Street<br>London<br>W1W 5DR |

# TELIT COMMUNICATIONS LIMITED

## CONTENTS

# TELIT COMMUNICATIONS LIMITED

## STRATEGIC REPORT

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

The directors present the strategic report for the year ended 31 December 2022.

**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 2022, whereby Telit:

- Continued to focus on industrial IoT products and solutions;
- Optimised the business structure to maintain focus on growth and improved profitability;
- Delivered continued growth for IoT cloud and connectivity services;

In addition, the transformation culminated in the announcement of Telit Cinterion as detailed as follows:
Telit and Thales jointly announced a transaction whereby Telit will incorporate Thales' cellular IoT products business from 2023 and will go forward under Telit leadership. The combined company, to be called Telit Cinterion, is a leading Western IoT provider, supporting customers with an expanded IoT portfolio of products, services, and bundles comprising hardware, software, and connectivity solutions. Telit Cinterion will leverage Thales' expertise in IoT security across SIM technology, modules, and connectivity.

**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

## STRATEGIC REPORT (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**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 decreased by 9.1% to $38.8 million during the year mainly due to revenues from related parties, of which cloud and connectivity services were $18.8 million, and IoT products revenue was $7.2 million.

**Cloud and Connectivity Revenues** remained at similar levels ($18.8m 2022 & 2021), which is an encouraging trend for the company, highlighting both the demand for dedicated cloud and connectivity services, and the opportunities for the business in terms of scalability. The company is confident that this will continue to grow in the coming years.

**IoT Products Revenues** also experienced overall growth in the year, increasing by 18.9% compared to 2021. These results confirm the company's view that this revenue 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 $11.8 million, a decrease of 17.7% compared with 2021. The company experienced an overall decline in revenues resulting from the changes in company structure and delisting. Telit's gross margin also decreased slightly from 33.6% in 2021 to 30.5% in 2022, which the company attributes to the recent changes in company structure and delisting.

**Other performance indicators**

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

- CompassIntel Industrial IoT Company of the Year
- IoT Evolution Industrial IoT Product of the Year Awards (Telit deviceWISE + deviceWISE VIEW)
- IoT Evolution Product of the Year (Telit NExT + NExTPlus)
- CompassIntel IoT Innovator Asset Monitoring (Telit deviceWISE + SMART START)
- IoT Evolution IoT Security Excellence Award (Telit secureWISE)
- IoT Edge Computing Excellence (Telit deviceWISE CLOUD)
- IoT Evolution Platforms Leadership (Telit deviceWISE VIEW + SMART START)

# TELIT COMMUNICATIONS LIMITED

## STRATEGIC REPORT (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

---

**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 following Covid-19, and we have prioritised the safety and wellbeing of our employees. Telit transferred some of its employees to a hybrid work plan.

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.

*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: 26 September 2023

---

# TELIT COMMUNICATIONS LIMITED

## DIRECTORS' REPORT

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

The directors present their annual report and financial statements for the year ended 31 December 2022.

**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 6.

Ordinary dividends were paid amounting to $70,209k. 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
Mr P Dal Pino
Mr M Haxby
Mr E Shefer

**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 13 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.

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.

# TELIT COMMUNICATIONS LIMITED

## DIRECTORS' REPORT (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**Future developments**
Telit Communications Ltd, together with Telit Group have plans to be the leading Western IoT solutions provider from current year and beyond. To enable Telit Group to accomplish this, Telit Communications Ltd will increase its workforce, products, services and offerings.

**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:

B16C265C4D02487...

Mr E Shefer
**Director**

Date: 26 September 2023

# TELIT COMMUNICATIONS LIMITED

## INCOME STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

| | Notes | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| **Revenue** | **2** | 38,827 | 42,735 |
| Cost of sales | | (27,000) | (28,368) |
| **Gross profit** | | 11,827 | 14,367 |
| Sales and marketing expenses | | (1,958) | (3,277) |
| Administrative expenses | | (9,793) | (12,818) |
| Technical consulting | | (542) | (328) |
| Other operating income | | 1,345 | 1,291 |
| Other exceptional items | **3** | (3,552) | (10,385) |
| **Operating loss** | **4** | (2,673) | (11,150) |
| Investment income | **7** | 3,383 | 30,126 |
| Finance costs | **8** | - | (1) |
| Other gains and losses | **9** | 168,189 | (564) |
| **Profit before taxation** | | 168,899 | 18,411 |
| Tax on profit | **10** | 189 | - |
| **Profit and total comprehensive income for the financial year** | **29** | 169,088 | 18,411 |

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

## STATEMENT OF FINANCIAL POSITION

## *AS AT 31 DECEMBER 2022*

| | Notes | 2022 $'000 | $'000 | 2021 $'000 | $'000 |
|---|---|---|---|---|---|
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | **13** | | 45 | | 102 |
| Investments | **14** | | 58,908 | | 63,408 |
| | | | 58,953 | | 63,510 |
| **Current assets** | | | | | |
| Inventories | **16** | 37 | | 133 | |
| Trade and other receivables falling due after more than one year | **17** | 219,732 | | 57,713 | |
| Trade and other receivables falling due within one year | **17** | 34,420 | | 86,499 | |
| Cash and cash equivalents | | 1,012 | | 3,935 | |
| | | 255,201 | | 148,280 | |
| **Current liabilities** | **18** | (41,788) | | (37,053) | |
| **Net current assets** | | | 213,413 | | 111,227 |
| **Total assets less current liabilities** | | | 272,366 | | 174,737 |
| **Provisions for liabilities** | | | | | |
| Other provisions | **21** | | (96) | | (1,346) |
| **Net assets** | | | 272,270 | | 173,391 |
| **Equity** | | | | | |
| Called up share capital | **26** | | 2,193 | | 2,193 |
| Share premium account | **27** | | 52,033 | | 52,033 |
| Other reserve | **28** | | 35,129 | | 35,129 |
| Translation reserve | | | (7,719) | | (7,719) |
| Retained earnings | **29** | | 190,634 | | 91,755 |
| **Total equity** | | | 272,270 | | 173,391 |

For the financial year ended 31 December 2022 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

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

## *AS AT 31 DECEMBER 2022*

The financial statements were approved by the board of directors and authorised for issue on 26 September 2023 and are signed on its behalf by:

DocuSigned by:

FF2FBA5EF81F496...

Mr P Dal Pino
**Director**

**Company registration number 05300693**

# TELIT COMMUNICATIONS LIMITED

## STATEMENT OF CHANGES IN EQUITY

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

| | Notes | Share capital<br>$'000 | Share premium account<br>$'000 | Other reserve<br>$'000 | Translation reserve<br>$'000 | Retained earnings<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | | 2,184 | 50,417 | 31,725 | (6,495) | 72,341 | 150,172 |
| **Year ended 31 December 2021:** | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | - | 18,411 | 18,411 |
| Issue of share capital | **26** | 9 | 1,616 | - | - | - | 1,625 |
| Share-based payment charge | **25** | - | - | - | - | 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** | | 2,193 | 52,033 | 35,129 | (7,719) | 91,755 | 173,391 |
| **Year ended 31 December 2022:** | | | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | - | 169,088 | 169,088 |
| Dividends | **11** | - | - | - | - | (70,209) | (70,209) |
| **Balance at 31 December 2022** | | 2,193 | 52,033 | 35,129 | (7,719) | 190,634 | 272,270 |

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

---

### 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. The functional currency of the company changed from Sterling to US Dollars on 01 January 2022. The effect of the change in functional currency has been accounted for prospectively. All items have been translated into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items have been treated as their historical cost.

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

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 30.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**1 Accounting policies** **(Continued)**

**1.2 Going concern**

In assessing going concern, directors 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 also carefully reviewed the company's budget for 2023 and its medium-term plans. The directors 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 assured they 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

**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 carried at amortised cost and FVOCI are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

***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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**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.

**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 differed 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.

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.

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**1 Accounting policies** **(Continued)**

**1.17 Foreign exchange**

Transactions in currencies other than US dollars 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.

**2 Revenue**

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| **Revenue analysed by class of business** | | |
| Sale of IoT products | 7,193 | 6,054 |
| Sale of cloud and connectivity services | 18,788 | 18,775 |
| Royalty income | 8,994 | 8,297 |
| Revenue from group companies | 3,493 | 9,197 |
| Sale of platform services | 359 | 412 |
| | 38,827 | 42,735 |

**3 Exceptional items**

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| **Income** | | |
| *Gains and losses relating to the historical disposal of the group's automotive* business | 600 | - |
| **Expenditure** | | |
| Delisting and restructuring | 2,587 | 7,439 |
| Legal and other expenses relating to litigation and claims | 1,565 | 1,378 |
| Gains and losses relating to the historical disposal of the group's automotive business | - | 1,568 |
| | 4,152 | 10,385 |
| Net exceptional income/(expenditure) | (3,552) | (10,385) |

**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 $2,587,153 (2021: $7,438,958) for the delisting and restructure.

**Legal and other expenses relating to litigation and claims**

The company incurred legal costs of $1,564,763 (2021: $1,377,578) during the year in connection with a dispute over the termination of an ex-Director. The company estimates further costs to be incurred, further details of the provision are included in note 21.

### 4 Operating loss

| Operating loss for the year is stated after charging/(crediting): | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Exchange gains | (1,093) | (228) |
| Depreciation of property, plant and equipment | 60 | 63 |
| Cost of inventories recognised as an expense | 27,000 | 28,368 |
| Share-based payments | - | 1,003 |

### 5 Employees

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

| | 2022<br>Number | 2021<br>Number |
|---|---|---|
| Sales, marketing and operations | 10 | 8 |

Their aggregate remuneration comprised:

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Wages and salaries | 1,158 | 4,374 |
| Social security costs | 136 | 94 |
| Pension costs | 36 | 27 |
| | 1,330 | 4,495 |

### 6 Directors' remuneration

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Remuneration for qualifying services | - | 2,465 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2021 - 1).

The number of directors who exercised share options during the year was 0 (2021 - 1).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 0 (2021 - 1).

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

### 6 Directors' remuneration (Continued)

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

| | | |
|---|---|---|
| Remuneration for qualifying services | n/a | 2,138 |

### 7 Investment income

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Interest income** | | |
| Interest on bank deposits | 12 | 1 |
| Interest receivable from group companies | 3,362 | 1,178 |
| *Total interest revenue* | 3,374 | 1,179 |
| **Income from fixed asset investments** | | |
| Dividends received from shares in group undertakings | 9 | 28,947 |
| Total income | 3,383 | 30,126 |

### 8 Finance costs

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Interest on financial liabilities measured at amortised cost:** | | |
| Interest on lease liabilities | - | 1 |

### 9 Other gains and losses

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Gain on disposal of fixed asset investments | 168,189 | - |
| Other gains and losses | - | (564) |
| | 168,189 | (564) |

### 10 Taxation

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current tax** | | |
| Adjustments in respect of prior periods | (189) | - |

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.

**10 Taxation** **(Continued)**

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

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Profit before taxation | 168,899 | 18,411 |
| Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%) | 32,091 | 3,560 |
| Gains not taxable | (31,956) | - |
| Utilisation of tax losses not previously recognised | - | (3,560) |
| Unutilised tax losses carried forward | (135) | - |
| Adjustment in respect of prior years | (189) | - |
| **Taxation credit for the year** | (189) | - |

*At the year end the company had an estimated $21,407,904 (2021: $22,520,000) of tax losses available to* carry forward against forward against future taxable profits.

**11 Dividends**

| Amounts recognised as distributions: | 2022<br>per share<br>$ | 2021<br>per share<br>$ | 2022<br>Total<br>$'000 | 2021<br>Total<br>$'000 |
|---|---|---|---|---|
| **Ordinary shares** | | | | |
| Final dividend paid | 0.51 | - | 70,209 | - |

**12 Impairments**

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

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| In respect of: | | |
| Fixed asset investments | - | 564 |
| Recognised in: | | |
| Other gains and losses | - | 564 |

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

### 13 Property, plant and equipment

| | Computers | Right of use assets | Total |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Cost** | | | |
| At 1 January 2022 | 250 | 91 | 341 |
| Additions | 4 | - | 4 |
| At 31 December 2022 | 254 | 91 | 345 |
| **Accumulated depreciation and impairment** | | | |
| At 1 January 2022 | 161 | 78 | 239 |
| Charge for the year | 48 | 13 | 60 |
| At 31 December 2022 | 209 | 91 | 300 |
| **Carrying amount** | | | |
| At 31 December 2022 | 45 | - | 45 |
| At 31 December 2021 | 89 | 13 | 102 |

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

| **Right-of-use assets** | **2022** | **2021** |
|---|---|---|
| | **$'000** | **$'000** |
| **Net values at the year end** | | |
| Motor vehicles | - | 12 |
| **Depreciation charge for the year** | | |
| Motor vehicles | 13 | 14 |

### 14 Investments

| | **Non-current** | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Investments in subsidiaries | 58,908 | 63,408 |

**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.

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**14 Investments** **(Continued)**

**Movements in non-current investments**

| | Shares in subsidiaries $'000 |
|---|---|
| **Cost or valuation** | |
| At 1 January 2022 | 63,408 |
| Disposals | (4,500) |
| At 31 December 2022 | 58,908 |
| **Carrying amount** | |
| At 31 December 2022 | 58,908 |
| At 31 December 2021 | 63,408 |

During the year, the company agreed to sell all of the issued and to be issued ordinary shares of Telit Wireless Solutions, Inc to Telit IoT Ltd, the company's immediate parent entity, for a consideration of $172,688,212.

**15 Subsidiaries**

Details of the company's subsidiaries at 31 December 2022 are as follows:

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

### 15 Subsidiaries (Continued)

| Name of undertaking | Registered office | Principal 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 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 |
| 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 Wireless Solutions (Shenzen) 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 |
| 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 |

**15 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.

**16 Inventories**

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Finished goods | 37 | 133 |

**17 Trade and other receivables**

| | Current 2022<br>$'000 | Current 2021<br>$'000 | Non-current 2022<br>$'000 | Non-current 2021<br>$'000 |
|---|---|---|---|---|
| Trade receivables | 5,635 | 5,003 | - | - |
| Amounts owed by fellow group undertakings | 28,066 | 80,929 | 219,561 | 57,532 |
| Other receivables | 78 | - | 171 | 181 |
| Prepayments and accrued income | 641 | 567 | - | - |
| | 34,420 | 86,499 | 219,732 | 57,713 |

Within the amounts owed by fellow group undertakings, is a loan note for $172,688,212 issued by Telit IoT Ltd, the company's immediate parent entity, during the year. This loan note bears interest at a fixed rate of 1.3% and is repayable within 4 years of the current year end.

**18 Liabilities**

| | Notes | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| Trade and other payables | 19 | 41,715 | 36,773 |
| Taxation and social security | | 73 | 267 |
| Lease liabilities | 20 | - | 13 |
| | | 41,788 | 37,053 |

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

**19 Trade and other payables**

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Trade payables | 929 | 513 |
| Amounts owed to fellow group undertakings | 36,214 | 31,402 |
| Accruals and deferred income | 4,559 | 4,841 |
| Other payables | 13 | 17 |
| | 41,715 | 36,773 |

The average credit period taken for trade purchases is 10 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.

**20 Lease liabilities**

| **Maturity analysis** | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Within one year | - | 13 |

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:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Current liabilities | - | 13 |

| Amounts recognised in profit or loss include the following: | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Interest on lease liabilities | - | 1 |

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

# TELIT COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

### 21 Provisions for liabilities

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| *Intellectual property dispute provision* | 96 | 108 |
| Termination provision | - | 1,238 |
| | 96 | 1,346 |

| Movements on provisions: | Intellectual property dispute provision $'000 | Termination provision $'000 | Total $'000 |
|---|---|---|---|
| At 1 January 2022 | 108 | 1,238 | 1,346 |
| Reversal of provision | (12) | (1,238) | (1,250) |
| At 31 December 2022 | 96 | - | 96 |

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.

In the previous year, the termination provision related to the costs expected to be incurred to settle an ongoing legal dispute with an ex-director.

### 22 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.*

### 23 Retirement benefit schemes

| **Defined contribution schemes** | *2022* $'000 | *2021* $'000 |
|---|---|---|
| Charge to profit or loss in respect of defined contribution schemes | 36 | 27 |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

### 24 Contingent liabilities

**Legal proceedings**

**A. 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. The ITC proceedings were terminated on July 6, 2022, following determination by the commission that respondents' accused products, including Telit's, do not infringe any of the asserted claims; that several of the asserted claims are invalid and that all 4 asserted patents were unenforceable in light of Philips' deliberate late declaration of the patents as standard essential. Philips did not appeal the Commission's decision.

The Delaware corresponding case has been stayed and administratively closed until further order of the court, in light of the ITC proceeding.

*The second Delaware case, the Court agreed with Telit's proposal to decide first the threshold issue of* whether Philips' asserted patents are unenforceable due to the aforementioned late declaration of those patents as standard-essential. The parties' fact discovery is scheduled to conclude in September 2023.

**B. Criminal charges to Brazilian Subsidiary**
The Brazilian state tax authorities could take action against current and former representatives of the Brazilian subsidiary in connection with an open tax claim (refer to note 8(f)). The Company could be expected to be liable to hold harmless and indemnify said representatives from liability associated with this matter. The Group considers it too early to estimate the impact.

**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 $59.1 million (2021: $49.0 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 (2021: $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.

### 25 Share-based payments

The company operated a shared-based option plan for executive directors, senior managers and employees. The company had previously granted share options and Restricted Stock Units ("RSUs") to employees of the company and its subsidiaries.

The company has not granted any new share options during 2021 or 2022.

The company has not granted RSUs during 2022 (2021: 1,215,000).

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 current or prior year.

| | | |
|---|---|---|
| **Expenses** | | |
| Related to equity settled share based payments | - | 1,003 |

**26 Share capital**

| | 2022 | 2021 | 2022 | 2021 |
|---|---|---|---|---|
| **Ordinary share capital** | **Number** | **Number** | **$'000** | **$'000** |
| **Issued and fully paid** | | | | |
| Ordinary shares of 1p each | 136,849,446 | 136,849,446 | 2,193 | 2,193 |

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

**27 Share premium account**

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| At the beginning of the year | 52,033 | 50,417 |
| Issue of new shares | - | 1,616 |
| At the end of the year | 52,033 | 52,033 |

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

**28 Other reserve**

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| At the beginning of the year | 35,129 | 31,725 |
| Transfers | - | 3,404 |
| At the end of the year | 35,129 | 35,129 |

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 no costs were incurred on the remuneration of employees from other group companies with share options in the company (2021: $3,403,828). This amount is recoverable from the companies that employ the individuals.

**29 Retained earnings**

Retained earnings represent accumulated profits of the company.

**30 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

### 31 Events after the reporting date

On 9 November 2022, Telit IoT Solutions Holding Limited (UK Ultimate Parent), the Company's ultimate UK parent together with other parent entities of UK Ultimate Parent, entered into a framework agreement with Gemalto B.V, Thales DIS Deutschland GmbH and Thales S.A (sellers). This agreement set out the proposed acquisition of the entire issued share capital of Thales DIS AIS Deutschland GmbH, Thales DIS AIS USA LLC and Thales DIS AIS Brasil Produtos Electronicos Ltda (the "Target Companies"), as well as various employees whose employment relates mainly to the Target Companies.

The acquisition took place, and the shares were issued by UK Ultimate Parent on 31 December 2022. UK Ultimate Parent obtained control of the target companies on 1 January 2023.

Post year end, the Target Companies, other than Thales DIS AIS USA LLC, are owned by the Company's newly formed subsidiaries. As a consequence, the Company has increased its investment in it's subsidiaries.

# TELIT COMMUNICATIONS LIMITED

## MANAGEMENT INFORMATION

## FOR THE YEAR ENDED 31 DECEMBER 2022

# TELIT COMMUNICATIONS LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

## *FOR THE YEAR ENDED 31 DECEMBER 2022*

| | | 2022 | | 2021 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | |
| Sales of goods | | 7,193 | | 6,054 |
| Sales of Connectivity Services | | 18,788 | | 18,775 |
| Sales of Platforms Services | | 359 | | 412 |
| Sales of Intercompany Services | | 3,493 | | 9,197 |
| Intercompany brand royalties | | 8,994 | | 8,297 |
| | | 38,827 | | 42,735 |
| **Cost of sales** | | | | |
| Opening stock of finished goods | 133 | | 503 | |
| Direct costs | 26,904 | | 27,998 | |
| Closing stock of finished goods | (37) | | (133) | |
| *Total cost of sales* | | (27,000) | | (28,368) |
| **Gross profit** | | 11,827 | | 14,367 |
| **Other operating income** | | | | |
| Sundry income | | 1,345 | | 1,291 |
| **Sales and marketing expenses** | 1,958 | | 3,277 | |
| **Administrative expenses** | 9,793 | | 12,818 | |
| **Technical consulting** | 542 | | 328 | |
| | | (12,293) | | (16,423) |
| **Exceptional items** | | | | |
| Delisting and restructuring | (2,587) | | (7,439) | |
| Legal and other expenses relating to litigation and claims | (1,565) | | (1,378) | |
| Gains and losses relating to the historical disposal of the group's automotive business | 600 | | (1,568) | |
| | | (3,552) | | (10,385) |
| **Operating loss** | | (2,673) | | (11,150) |
| **Investment revenues** | | | | |
| Interest receivable from group companies | 3,362 | | 1,178 | |
| Bank interest received | 12 | | 1 | |
| Dividends receivable from group companies | 9 | | 28,947 | |
| | | 3,383 | | 30,126 |
| **Finance costs** | | | | |
| Finance lease interest payable | | - | | (1) |

# TELIT COMMUNICATIONS LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)

***FOR THE YEAR ENDED 31 DECEMBER 2022***

| | | 2022 | | 2021 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Other gains and losses** | | | | |
| Amounts written off fixed asset investments | - | | (564) | |
| Gains on sale of fixed asset investments | 168,189 | | - | |
| | | 168,189 | | (564) |
| **Profit before taxation** | | 168,899 | | 18,411 |

# TELIT COMMUNICATIONS LIMITED

## SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| **Sales and marketing expenses** | | |
| Wages and salaries | 999 | 571 |
| Social security costs | 122 | 91 |
| Staff commissions payable | 41 | - |
| Staff recruitment costs | 27 | 107 |
| Staff welfare | 1 | 7 |
| Staff pension costs defined contribution | 32 | 26 |
| Rent re licences and other | 7 | 6 |
| Equipment repairs | 8 | 25 |
| Leasing - motor vehicles | 3 | 4 |
| Motor running expenses | 19 | 6 |
| Travelling expenses | 73 | 5 |
| Professional subscriptions | - | 2 |
| Legal and professional fees | - | 55 |
| Consultancy fees | 41 | 743 |
| Accountancy | - | 2 |
| Bad and doubtful debts | (52) | 487 |
| Insurances (not premises) | 1 | 14 |
| Advertising | 566 | 1,056 |
| Telecommunications | 1 | 1 |
| Other office supplies | 3 | 2 |
| Entertaining | 6 | 2 |
| Sundry expenses | - | 2 |
| Depreciation | 60 | 63 |
| | 1,958 | 3,277 |

# TELIT COMMUNICATIONS LIMITED

## SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES (CONTINUED)

### *FOR THE YEAR ENDED 31 DECEMBER 2022*

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| **Administrative expenses** | | |
| Wages and salaries | 118 | 335 |
| Social security costs | 14 | 3 |
| Staff recruitment costs | 19 | 44 |
| Staff welfare | 1 | - |
| Staff pension costs defined contribution | 4 | 1 |
| Equity settled share based payment costs | - | 1,003 |
| Directors' remuneration | - | 2,138 |
| Directors' fees | - | 327 |
| Management charge - group | 10,166 | 8,094 |
| Rent re licences and other | - | 2 |
| Equipment repairs | 20 | 18 |
| Leasing - motor vehicles | 6 | - |
| Travelling expenses | 98 | 22 |
| Legal and professional fees | 32 | 486 |
| Consultancy fees | 253 | 174 |
| Accountancy | 48 | 33 |
| Bank charges | 34 | 39 |
| Insurances (not premises) | 67 | 318 |
| Telecommunications | 4 | 5 |
| Entertaining | 2 | 2 |
| Sundry expenses | - | 2 |
| Profit or loss on foreign exchange | (1,093) | (228) |
| | 9,793 | 12,818 |