Company registration number 05300693 (England and Wales)

TELIT COMMUNICATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

COMPANY INFORMATION

Directors	Dr J Addison Mr P Dal Pino Mr M Haxby Mr E Shefer
Company number	05300693
Registered office	Cannon Place 78 Cannon Street London EC4N 6AF
	3 Dorset Rise, London, EC4Y 8EN

CONTENTS

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report for the year ended 31 December 2023.

Fair review of the business
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 2023, 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 incorporated Thales' cellular IoT products business on 1 January 2023 through an acquisition of three Thales entities, into the Telit Cinterion Group. Subsequently, Telit rebranded itself as "Telit Cinterion".

The transaction establishes Telit Cinterion as a leading Western provider of IoT solutions, expanding the company's presence in growing industrial IoT segments and end markets including payment systems, energy, e-health, and security. It also enhances the company's ability to respond more expertly to growing demand for cybersecure IoT solutions in modules and cellular connectivity, thanks to leading technologies from Thales.

Strategy
Telit Cinterion 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 Cinterion 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 Cinterion 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 Cinterion'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 Cinterion's addressable market and its growth opportunities. Telit Cinterion 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 Cinterion is developing the technology that will meet the future needs of the industry.

Competition
Telit Cinterion experiences strong competition from a number of 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, reduced gross margins and loss of market share, any of which could have a material adverse effect on the business. Telit Cinterion 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.

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Principal risks and uncertainties (continued)

Dependency upon key intellectual property and risk of infringement

Telit Cinterion's success depends in part on its ability to protect its rights in its intellectual property ("IP"). Telit Cinterion 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 Cinterion's intellectual property without its authorisation. Telit Cinterion may also be subject to claims from third parties that allege that Telit Cinterion'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 Cinterion 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 Cinterion'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 Cinterion 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 Cinterion'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 3.1% to $40.0 million during the year mainly due to revenues from related parties, of which cloud and connectivity services were $22.0 million, and IoT products revenue was $9.6 million.

Cloud and Connectivity Revenues increased in 2023 ($18.8m in 2022), 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 33.8% compared to 2022. 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 $10.2 million, a decrease of 13.4% compared with 2022. Telit Cinterion's gross margin also decreased slightly from 30.5% in 2022 to 25.6% in 2022, which the company attributes to the recent changes in company structure resulting in less intercompany brand royalties.

Other performance indicators

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

DeviceWISE AI Visual Inspection

- Business Intelligence Group (BIG) Product of the Year Award
- IoT Evolution IoT Platforms Leadership Award

NEXT Network

- Juniper Research Best Cellular IoT Initiative – Gold
- Merit Award for Telecom IoT – Silver

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 has been a continued focus on the working environment, we continue to prioritise the safety and wellbeing of our employees. Telit Cinterion offers many of its employees a hybrid work plan, enabling a safe working environment.

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:

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Mr E Shefer

Director

Date: ..15 December 2024..

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and financial statements for the year ended 31 December 2023.

Principal activities
Telit Communications Limited ("Telit Cinterion") 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.

No dividends were paid in 2023. 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 14 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Financial instruments
The company's principal financial instruments are trade receivables, trade payables 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 that 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.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Future developments
Telit Communications Ltd, together with Telit Cinterion Group plans to continue to be the leading Western IoT solutions provider. To enable Telit Cinterion Group to accomplish this, Telit Communications Ltd will increase its workforce, products, services and offerings.

Energy and carbon report
Telit Cinterion has reviewed its energy and carbon reporting requirements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Telit Cinterion is conscious of its energy costs and is adopting energy efficiency measures to help reduce the impact on climate change.

The company is required to report on its emissions, energy consumption or energy efficiency activities. There is no similar comparison as the company qualified as a low energy user, and so was exempt from reporting under SECR regulations. Prior year's consumption was less than 40,000kWh annually in relation to its activities solely in the UK. The company's UK energy use for the year ended 31 December 2023 is shown below:

	Energy use in kWh
	2023
Scope 3 – Transport	57.03
	Metric tonnes
	2023
Scope 3 – Transport	13.26
	Intensity ratio
	2023
Tonnes CO_2e per £ million of income	132.60

Quantification and reporting methodology.
We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Intensity measurement
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO_2e per £ million of income, the recommended ratio for the sector.

Measures taken to improve energy efficiency
We have continued to promote shared mobility for our employees to reduce the energy use consumed for essential business travel.

On behalf of the board

DocuSigned by:

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Mr E Shefer
Director

Date: ..15 December 2024...............................

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 $'000	2022 $'000
Revenue	**2**	40,025	38,827
Cost of sales		(29,785)	(27,000)
Gross profit		10,240	11,827
Sales and marketing expenses		(2,767)	(1,958)
Administrative expenses		(6,110)	(9,793)
Technical consulting		(725)	(542)
Other operating income		1,218	1,345
Other exceptional items	**3**	(286)	(3,552)
Operating profit / (loss)	**4**	1,570	(2,673)
Investment income	**6**	14,153	3,383
Other gains and losses	**7**	-	168,189
Profit before taxation		15,723	168,899
Tax on profit	**8**	-	189
Profit and total comprehensive income for the financial year	**24**	15,723	169,088

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.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 $'000	2023 $'000	2022 $'000	2022 $'000
Non-current assets					
Property, plant and equipment	**10**		8		45
Investments	**11**		91,512		58,908
			91,520		58,953
Current assets					
Inventories	**13**	10		37	
Trade and other receivables falling due after more than one year	**14**	315,894		219,732	
Trade and other receivables falling due within one year	**14**	44,068		34,420	
Cash and cash equivalents		1,713		1,012	
		361,685		255,201	
Current liabilities	**15**	(37,528)		(41,788)	
Net current assets			324,157		213,413
Total assets less current liabilities			415,677		272,366
Provisions for liabilities					
Other provisions	**17**		(130)		(96)
Net assets			415,547		272,270
Equity					
Called up share capital	**21**		2,193		2,193
Share premium account	**22**		179,587		52,033
Other reserve	**23**		35,129		35,129
Translation reserve			(7,719)		(7,719)
Retained earnings	**24**		206,357		190,634
Total equity			415,547		272,270

For the financial years ended 31 December 2023 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.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

The financial statements were approved by the board of directors and authorised for issue on....15 December 2004... and are signed on its behalf by:

Signed by:

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Mr P Dal Pino
Director

Company registration number 05300693

TELIT COMMUNICATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium account	Other reserve	Translation reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2022		2,190	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	9					(70,209)	(70,209)
Balance at 31 December 2022		2,190	52,033	35,129	(7,719)	190,634	272,270
Year ended 31 December 2023:							
Profit and total comprehensive income for the year		-	-	-	-	15,723	15,723
Issue of share capital		-	127,554	-	-	-	127,554
Balance at 31 December 2023		2,193	179,587	35,129	(7,719)	206,357	415,547

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 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 25.

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.

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 2024 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.

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

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.

1.5 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.

1.6 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.

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.

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1 Accounting policies **(Continued)**

1.7 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.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 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.

1.10 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'.

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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.

1.11 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.

1.12 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)

1.13 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.

1.14 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.

1.15 Retirement benefits

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

1.16 Lease

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.

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

	2023 $'000	2022 $'000
Revenue analysed by class of business		
Sale of IoT products	9,625	7,193
Sale of cloud and connectivity services	21,989	18,788
Royalty income	5,601	8,994
Revenue from group companies	2,287	3,493
Sale of platform services	523	359
	40,025	38,827

3 Exceptional items

	2023 $'000	2022 $'000
Income		
Gains and losses relating to the historical disposal of the group's automotive business	680	600
Expenditure		
Delisting and restructuring	933	2,587
Legal and other expenses relating to litigation and claims	33	1,565
	966	4,152
Net exceptional income/(expenditure)	(286)	(3,552)

Other income
The company recovered previously written off debt relating to the disposal of the automotive business in 2019.

Delisting, restructuring and transformation costs
The company incurred integration costs relating to the acquisition of Thales entities on the 1st of January 2023, as referred to in the Strategic Report, being $932,879. Prior year amounts of $2,587,153 relate to the Company delisting process during 2021, cessation of a public company and restructuring following the purchase by private owners.

Legal and other expenses relating to litigation and claims
The Company incurred legal costs in relation to crisis management expenses.
Prior year amounts of $1,564,763 relate to legal costs in connection with a dispute over the termination of an ex-Director. The company estimates further costs to be incurred related to IPR claims, further details of the provision are included in note 17.

4 Operating profit (loss)

Operating profit (loss) for the year is stated after charging/(crediting):	2023 $'000	2022 $'000
Exchange gains	(3,489)	(1,093)
Depreciation of property, plant and equipment	40	60
Cost of inventories recognised as an expense	29,785	27,000

5 Employees

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

	2023 Number	2022 Number
Sales, marketing and operations	12	10

Their aggregate remuneration comprised:

	2023 $'000	2022 $'000
Wages and salaries	1,300	1,158
Social security costs	177	136
Pension costs	59	36
	1,536	1,330

Directors' remuneration
Director's remuneration in current and prior years is nil

6 Investment income

	2023 $'000	2022 $'000
Interest income		
Interest on bank deposits	1	12
Interest receivable from group companies	8,132	3,362
Total interest revenue	8,133	3,374
Income from fixed asset investments		
Dividends received from shares in group undertakings	6,014	9
Dividends received from other fixed asset investments	6	-
Total income	14,153	3,383

7 Other gains and losses

	2023 $'000	2022 $'000
Gain on disposal of fixed asset investments	-	168,189
	-	168,189

8 Taxation

	2023 $'000	2022 $'000
Current tax		
Adjustments in respect of prior periods	-	(189)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

8 Taxation **(Continued)**

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

	2023 *$'000*	**2022** *$'000*
Profit before taxation	15,723	168,899
Expected tax charge based on a corporation tax rate of 25.00% (2022: 19.00%)	3,931	32,091
Gains not taxable	(1,178)	(31,956)
Utilisation of tax losses brought forward	(1,180)	(135)
Group relief losses utilised	(1,572)	-
Adjustment in respect of prior years	-	(189)
Taxation credit for the year	-	(189)

At the year end the company had an estimated $16,821,784 (2022: $21,407,904) of tax losses available to carry forward against forward against future taxable profits.

9 Dividends

Amounts recognised as distributions:	**2023 per share $**	**2022 per share $**	**2023 Total $'000**	**2022 Total $'000**
Ordinary shares				
Final dividend paid	-	0.51	-	70,209

10 Property, plant and equipment

	Computers	Right of use assets	Total
	$'000	**$'000**	**$'000**
Cost			
At 1 January 2023	254	91	345
Additions	3	-	3
Disposal	-	(91)	(91)
At 31 December 2023	257	-	257
Accumulated depreciation and impairment			
At 1 January 2023	209	91	300
Charge for the year	40	-	40
Disposal	-	(91)	(91)
At 31 December 2023	249	-	249
Carrying amount			
At 31 December 2023	8	-	8
At 31 December 2022	45	-	45

11 Investments

	Non-current 2023	2022
	$'000	**$'000**
Investments in subsidiaries	91,512	58,908

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.

11 Investments (Continued)

Movements in non-current investments

	Shares in subsidiaries $'000
Cost or valuation	
At 1 January 2023	58,908
Acquisitions	32,604
At 31 December 2023	91,512
Carrying amount	
At 31 December 2023	91,512
At 31 December 2022	58,908

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12 Subsidiaries (Continued)

Name of undertaking	Registered office	Principal activities
Telit Cinterion Deutschland GmbH	Werinherstrasse 81 D-81541 Munich Germany	Development and sale of wireless cellular modules for IoT and M2M applications.
Telit Cinterion Brasil Ltda	Alameda Jau, 684, Suite 21, Jardim Paulista, City: São Paulo, State: São Paulo, Brazil	Wholesale of Electronic Components (Modules) and End Devices (IoT Solutions)
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	1 Atirei Yeda KFAR SABA, 4464301 Israel	No trading activities
Telit Wireless Solutions Ltd.	1 Atirei Yeda KFAR SABA, 4464301 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12 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.

13 Inventories

	2023	2022
	$'000	$'000
Finished goods	10	37

14 Trade and other receivables

	Current		Non-current	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade receivables	6,287	5,635	-	-
Amounts owed by fellow group undertakings	36,242	28,066	315,717	219,561
Other receivables	224	78	177	171
Prepayments and accrued income	1,315	641	-	-
	44,068	34,420	315,894	219,732

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 3 years of the current year end.

15 Current liabilities

	Notes	2023	2022
		$'000	$'000
Trade and other payables	16	36,790	41,715
Taxation and social security		738	73
		37,528	41,788

16 Trade and other payables

	2023 $'000	2022 $'000
Trade payables	1,425	929
Amounts owed to fellow group undertakings	33,719	36,214
Accruals and deferred income	1,638	4,559
Other payables	8	13
	36,790	41,715

The average credit period taken for trade purchases is 14 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.

17 Provisions for liabilities

	2023 $'000	2022 $'000
Intellectual property dispute provision		96
	130	
	130	

Movements on provisions:	Intellectual property dispute provision $'000	Total $'000
At 1 January 2023	96	96
Additional provisions in the year	34	34
At 31 December 2023	130	130

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

18 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.

19 Retirement benefit schemes

Defined contribution schemes	**2023 $'000**	**2022 $'000**
Charge to profit or loss in respect of defined contribution schemes	36	36

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.

20 Contingent liabilities

Legal proceedings

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. 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 financial impact.

21 Share capital

Ordinary share capital	**2023 Number**	**2022 Number**	**2023 $'000**	**2022 $'000**
Issued and fully paid				
Ordinary shares of 1p each	136,849,448	136,849,446	2,193	2,193

The company has one class of ordinary shares which carry no rights to fixed income. During the year the company issued 2 Ordinary shares of 1p each in return for the acquisition of Telit Cinterion Deutschland GMBH and an increased investment in Telit Wireless Solutions Tecnologia e Servicos Ltds, for the total value of $127 million USD.

22 Share premium account

	2023 $'000	**2022 $'000**
At the beginning of the year	52,033	52,033
Issue of new shares	127,554	-
At the end of the year	179,587	52,033

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

23 Other reserve

	2023 $'000	2022 $'000
At the beginning of the year	35,129	35,129
At the end of the year	35,129	35,129

The reserve is used to recognise the historic value of equity settled share-based payments previously provided to employees of subsidiaries as part of their remuneration. The amounts have not changed as share-based payments are no longer applicable to the Company. This amount is recoverable from the companies that employ the individuals.

24 Retained earnings

Retained earnings represent accumulated profits of the company.

25 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.

26 Events after the reporting date

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 filed claims against the Group in the U.S. District Court for the District of Delaware, asserting the infringement of certain US patents by the Group. Similar proceedings have been issued against other leading industry participants. On 19 August 2024, the claims were dismissed with prejudice, at the request of the parties.

TELIT COMMUNICATIONS LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023		2022
	$'000	$'000	$'000	$'000
Revenue				
Sales of goods		9,625		7,193
Sales of Connectivity Services		21,989		18,788
Sales of Platforms Services		523		359
Sales of Intercompany Services		2,287		3,493
Intercompany brand royalties		5,601		8,994
		40,025		38,827
Cost of sales				
Opening stock of finished goods	37		133	
Direct costs	29,758		26,904	
Closing stock of finished goods	(10)		(37)	
Total cost of sales		(29,785)		(27,000)
Gross profit		*10,240*		*11,827*
Other operating income				
Sundry income		1,218		1,345
Sales and marketing expenses	2,767		1,958	
Administrative expenses	6,110		9,793	
Technical consulting	725		542	
		(9,602)		(12,293)
Exceptional items				
Delisting and restructuring	(933)		(2,587)	
Legal and other expenses relating to litigation and claims	(33)		(1,565)	
Gains and losses relating to the historical disposal of the group's automotive business	680		600	
		(286)		(3,552)
Operating profit / (loss)		1,570		(2,673)
Investment revenues				
Interest receivable from group companies	8,132		3,362	
Bank interest received	1		12	
Dividends receivable from group companies	6,014		9	
Dividends received from other fixed asset investments	6		-	
		14,153		3,383

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023		2022
	$'000	$'000	$'000	$'000
Other gains and losses				
Amounts written off fixed asset investments	-			
Gains on sale of fixed asset investments	-		168,189	
		15,723	-	168,189
Profit before taxation		15,723		168,899