Annual Report and Accounts

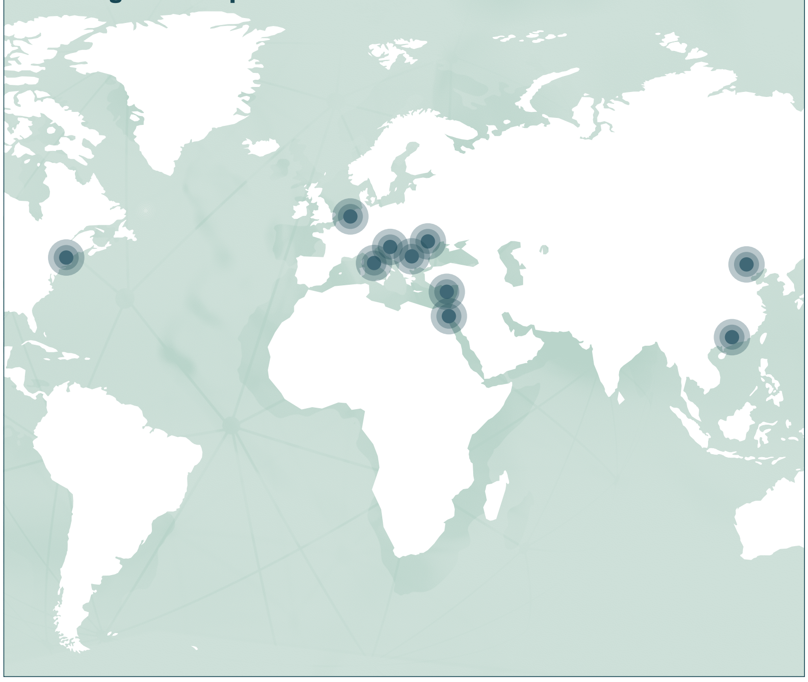
For the year ended 31 December 2020

BATM Advanced Communications

BATM is a leader in real-time technologies.

We bring high-technology solutions that are innovative, cost-effective and reliable to our chosen global sectors of biomedicine and networking.

BATM's global footprint



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Strategic Framework

BATM's purpose is to deliver high-technology innovations that make a significant difference to the human experience

We deliver high-technology solutions

- That solve complex challenges in mission-critical, largescale applications

With a focus on the global sectors of...

- Bio-medical solutions and
- Networks and cyber security

We serve blue-chip customers worldwide

- Including enterprises, governments and international agencies

And differentiate through...

- Our intellectual property
- The world-leading expertise of our employees
- Innovative, robust, reliable and cost-effective solutions

We build value creation strategies

- From idea, to scale up, to mass-market success
- And maximise the long-term value of our businesses through organic and inorganic strategies

To create value for our stakeholders by...

- Growing total shareholder returns
- Exceeding our customers' expectations
- Motivating our people
- Making a positive contribution to our communities

Performance Highlights

Group Revenue	Adj. operating profit*	Cash and financial assets	Gross profit
$183.6m	**$15.0m**	**$53.4m**	**$60.7m**
+49%	+183%	+19%	+83%
(2019: $123.4m)	(2019: $5.3m)	(2019: $44.8m)	(2019: $33.1m)

EBITDA*	Earnings per share	Gross margin	Cash from operating activities
$19.7m	**2.22¢**	**33.1%**	**$18.5m**
+100%	+139%	+620bps	+158%
(2019: $9.8m)	(2019: 0.93¢)	(2019: 26.9%)	(2019: $7.2m)

* This report includes 'Other Alternative Measures'. For a reconciliation of these measures to IFRS, please refer to page 110.

COVID-19 test kits

→ Launched RT-PCR and serologic kits

→ Strong global demand for reagents and instruments

Critical care ventilators

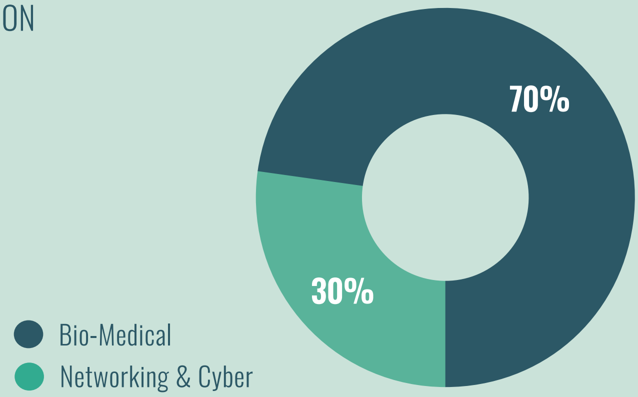
→ Delivered €29m order for 1,000 ventilators to a European government

NFVTime

→ Secured first tier 1 customer, PCCW Global

→ Successful proof-of-concept with Vodafone

REVENUE BY DIVISION



Chairman's Statement

Dr. Gideon Chitayat
Chairman

It is with pleasure that I present BATM's Annual Report 2020 and report on a highly successful year in which we made strong strategic and financial progress, and our own contribution to the global fight against COVID-19. BATM's purpose is to develop high-technology solutions that make a clear difference to the human experience, with a focus on bio-medical and networking applications. 2020 brought into sharp relief the need for the kind of solutions that we have spent many years developing and, I believe, has accelerated and increased our market opportunity. Our key values of innovation, reliability, and responsibility provide strong foundations for sustainable success in the coming years.

STRATEGIC AND FINANCIAL PROGRESS

We made excellent strategic progress in both business divisions in 2020.

Our Bio-Medical division was able to respond rapidly to the pandemic and quickly brought to market COVID-19 tests and ventilator equipment. As a result, divisional sales grew by 100% to $128.7m and adjusted operating profit increased substantially from $0.1m to $19.4m. The importance of diagnostics as a critical tool in disease management has never been so evident; and BATM's strategy to provide highly reliable and fast tests for distributed, point-of-care settings has significant advantages in the fight against all manner of infectious diseases.

Although revenues in our Networking and Cyber division fell slightly to $54.9m, as a result of lower business activity due to the pandemic, we continued to release new products focused on delivering bandwidth to consumers and businesses and made important progress with customers for our disruptive Network Function Virtualisation ("NFV") technology. As a result of successful proofs of concept, NFV is expected to make a material contribution to divisional revenues in 2021. In March 2021, we sold our non-core digital services business, NG Soft, for a total of NIS 105.1m (c. $33m), enabling BATM to focus on key activities, including the growth opportunity of NFV.

MAKING A POSITIVE IMPACT

Our choice of target sectors, within the bio-medical and networking fields, reflects a desire to have a direct, positive impact on individuals, communities, businesses, local economies and the environment. Our diagnostics solutions, as described above, play a critical role in disease management; our NFV solutions have the potential to reduce energy consumption in the deployment and management of networks; and our Integrated Sterilizer and Shredder technology (part of the Eco-Med unit) provides environmentally-friendly, efficient and cost-effective treatment of pathogenic waste in the medical, pharmaceutical and agricultural industries, including for developing markets.

BALANCE SHEET

At the end of December 2020, BATM had cash and financial assets of $53.4m. In March 2021, our balance sheet was further strengthened with the receipt of the proceeds from the sale of NG Soft. Our strong balance sheet puts us in an excellent position to continue our investments in innovation and sales and marketing and to seek acquisitions to accelerate our strategic progress. In addition, as previously reported, the Board has resolved to recommend, for shareholder approval, the distribution of a dividend for 2020.

OUR MANAGEMENT, PEOPLE AND CULTURE

I would like to express my thanks to BATM's Executive team and all employees for their hard work, dedication and flexibility in what was a difficult and disruptive year for many people. The performance of BATM in 2020 is testament to the teamwork and responsiveness of all parts of the business.

In February 2021, we were delighted to appoint Prof. Varda Shalev as "voice of the workforce". She will develop a programme to enable regular dialogue with employees across the business and report back to the Board to increase our awareness and understanding of their views.

OUTLOOK

I believe the future has never looked so exciting for BATM. Our diversified portfolio balances our risks in the short term, whilst providing the opportunity for high levels of new growth, particularly in diagnostics and NFV over the next five years. I look forward to reporting on our further progress in 2021.

FOCUS ON VALUE CREATION

We are committed to a long-term approach to value creation and seek to maximise value through organic and inorganic strategies.

Capital allocation

The Board allocates capital to the investments it considers have the highest long-term returns, based on the size of market opportunity and the Group's ability to deliver highly differentiated solutions and take them to market.

Value creation

Our value creation strategies seek to maximise total returns, through buy, build and partner decisions, appropriate to each opportunity. Through our build strategies, we leverage shared Group resources, expertise, systems and processes - and seek to build an optimised company that generates high gross profit and cash generation.

Value realisation

As our portfolio companies mature, we consider options for value realisation. These options include the sale of companies or the establishment of new vehicles such as joint ventures.

Chief Executive Officer's Review

Dr. Zvi Marom
Chief Executive Officer

This was an outstanding year for BATM. We delivered substantial growth, driven by our Bio-Medical division, which responded rapidly to the outbreak of the pandemic to develop COVID-19 diagnostic tests and manufacture critical care ventilators. In our Networking and Cyber division, we achieved a key milestone in securing our first tier 1 customer for NFVTime, PCCW Global, who have now begun the rollout of our solution. Overall, we significantly advanced the execution of our strategy in both molecular diagnostics and NFV, which we see as our key future growth markets.

Bio-Medical Division

Diagnostics

The Diagnostics unit performed exceptionally well during 2020, delivering 318% revenue growth. As a result of our investment in recent years in transitioning to molecular diagnostics, we are now able to rapidly provide solutions for any new pathogen that appears. We also responded with speed and efficiency when first alerted to the potential COVID-19 outbreak. Consequently, we were able to quickly launch diagnostic test kits for COVID-19, which met with strong demand. Sales of our diagnostic instruments – mainly DNA and RNA extractors and amplifiers (PCRs) – increased significantly, and were frequently ordered alongside the COVID-19 test kit reagents. This momentum continued throughout the year and the Diagnostics unit entered 2021 with a substantially higher order book than at the same point of the prior year. To cater to the increased demand, we expanded the production capacity of our Adaltis facility in Rome, Italy.

The customers for our COVID-19 solutions are primarily public health authorities in Europe and South East Asia. We also received – with more expected – an order from a major new customer that is a significant global private laboratory group, headquartered in Italy, that provides COVID-19 testing throughout Europe, primarily for large businesses such as airports and cruise lines.

While significantly expanding our sales and production, we also increased our R&D efforts to develop multiple new innovative tests and technologies to be launched in 2021 and 2022.

COVID-19 diagnostic tests

In 2020, we launched both RT-PCR (real-time polymerase chain reaction) antigen tests and serologic antibody tests for COVID-19.

Our antigen molecular (RT-PCR) test kit, which detects if someone currently has the COVID-19 virus, underwent clinical verification and evaluation by leading universities and hospitals in February and received certification at the end of March 2020. We subsequently expanded the gene discovery capability of this test to five (4+1) genes (compared with those commonly available in the market that have up to three gene discoverability), including the spike (S) gene, which is the protein that the virus uses to invade human cells. The S gene is present in a person's blood even if they have a very low viral load of COVID-19, which might otherwise go undetected. As a result, this test can provide more accurate results, reducing the risk of false positives and false negatives.

Post year end, we launched a self-administered saliva-based RT-PCR COVID-19 test based on our 4+1 gene kit. This test avoids the need for swabs or highly-trained medical personnel and is quicker to process as the RNA extraction phase is eliminated. We believe there will be significant demand for this new test.

In partnership with Tor Vergata University of Rome, our kits are continually tested against any mutation that is perceived to be clinically material. Our kits are accurately able to detect all known variants of COVID-19.

In May 2020, we launched our ELISA serological test that diagnoses if someone has had COVID-19 by detecting antibodies present in their blood. We subsequently advanced this test to be able to measure the quantity of antibodies in the blood rather than just identifying their presence or absence (qualitative test). This was in response to growing medical research suggesting that the volumes of antibodies in the blood of someone who has recovered from COVID-19 is low and declines. The upgraded test measures both IgM antibodies, which are produced a few days after infection and remain in the blood for a short period, and IgG antibodies, which are longer-term antibodies that remain in the blood for a few months. This test has the same levels of sensitivity and specificity as those of the market-leading brands, with sensitivity of 100% and specificity of 99.8%.

New molecular diagnostics tests

During the second half of the year, we developed a new molecular PCR diagnostics test that is able to test for multiple respiratory pathogens at the same time. In less than an hour, it can identify the specific cause (pathogen) of a respiratory illness, enabling the correct treatment or action to be rapidly implemented. It can detect all prominent respiratory viruses as well as the bacteria that cause the serious pulmonary illnesses that are believed to be a secondary infection of COVID-19, such as pneumonia and Legionnaires' disease. This test is in the final stages of CE certification and we expect to commence production and sales in May 2021.

In addition, we entered into agreements with several leading universities in Europe for the co-development of diagnostic solutions, which are expected to be launched in 2021. These new molecular biology tests will be for the diagnosis of infectious diseases, which is a key focus area for our diagnostics activities.

Ador Diagnostics

Ador Diagnostics ("Ador"), our associate company, is developing the NATlab molecular biology solution that provides rapid sample-to-answer diagnosis of bacterial, viral or fungal infections using DNA or RNA sampling. During the year, Ador developed an innovative technology using the rolling circle amplification ("RCA") method, which has been granted several patents in the U.S. This will enable the NATlab system to provide test results in a significantly shorter timeframe – within 30 minutes – and with greater accuracy than Ador previously envisaged. Ador is in the advanced stages of incorporating the RCA technology into the NATlab system, which we expect to be ready for in-hospital trials in H1 2021. To expedite the development of the new RCA-based system, an additional $10m was invested in Ador, of which BATM contributed $3m. Following this investment, Ador has an enterprise value of $54.5m and BATM's shareholding is 36.7%.

Eco-Med

The Eco-Med unit achieved significant growth, with revenue increasing by 509%. This was due to the delivery of a €29m contract from a European government for 1,000 critical care ventilators to support that country's public health response to COVID-19. The ventilators were manufactured by our Celitron subsidiary in Hungary, which has been producing equipment for medical environments globally for over 10 years.

As a result of the pandemic and the restrictions on travel, the Eco-Med unit focused on the delivery of the ventilator project in 2020. As lockdown measures are lifted, we are resuming work on the installation of our pathogenic waste treatment solutions based on our Integrated Steriliser and Shredder ("ISS") technology. We expect to complete delivery on our existing contracts with our food manufacturing customers in the Philippines and Taiwan this year. We also expect to complete the delivery of a contract from Ceva Animal Health, a leading developer of animal health products, that was awarded in 2020 to expand and enhance the ISS-based solution installed at its facility in Hungary.

Towards the end of the year, we completed the delivery of the first of our new ISS-based instrument that recovers high-quality protein and oils from insects such as worms and flies. The customer, which is headquartered in Belgium, recycles insect nutrients into valuable products for the feedstock industry. It intends to use our solution to produce insect protein powder that can be a substitute for fishmeal and oils used in aquaculture feed. This marks our entry into a new market segment and is an area we believe offers great potential as a sustainable source of protein.

Distribution

Revenue in the Distribution unit increased by 26% in 2020 over the prior year. The increased revenue was due to growth in existing distribution activities as well as through the provision of third-party reagents for COVID-19 tests, both PCR and serologic, to public health authorities in Eastern Europe. In the second half of the year, our lab in Romania also began performing COVID-19 tests for private sector customers. In addition, we established infrastructure to expand our distribution activities into Hungary, which is expected to commence this year.

Chief Executive Officer's Review CONTINUED

Networking and Cyber Division

NFV solutions

We made significant progress with our NFVTime operating system, developed by our Telco Systems subsidiary, that enables network carriers to deploy their own virtualised software-based networks. Virtual networks can be a key element in allowing operators to leverage the benefits of 5G through edge computing and provide additional differentiated services to their enterprise customers as well as reducing the costs, time and carbon footprint involved with physical networks.

We achieved a key milestone in securing our first tier 1 customer, PCCW Global, for NFVTime with a three-year licensing agreement. PCCW Global selected NFVTime to enrich its managed SD-WAN service offering, which it provides to its multinational enterprise customers as well as to operators that it services on a wholesale basis. We will receive a licence fee for a minimum of three years for each deployment of NFVTime. Post year end, PCCW Global commenced making NFVTime available to its customers.

We conducted several successful proofs-of-concept of NFVTime with tier 1 operators in Europe. In particular, Vodafone, a leading global network operator headquartered in the UK, completed a proof-of-concept of the Arm-based uCPE that is run on the NFVTime operating system. The solution, which was tested for both small/medium business and enterprise use-cases, performed highly successfully in the deployment and management of virtual and cloud network functions and was able to handle high traffic requirements – performing to levels not seen by other comparable platforms. We continue to work closely with Arm and Vodafone for the next step in the process, which we expect will be field trials.

We are receiving significant interest in NFVTime from prospective customers and the pipeline of potential orders continues to expand. NFVTime is currently undergoing evaluation with several leading network operators and multi-service providers worldwide. A number of these evaluations are at an advanced stage and we are confident that they will translate to orders in due course.

Also during the year, we received an order for NFVTime from AdcareIT, an outsourced ICT managed service provider in Kenya. AdcareIT intends to use NFVTime together with Clavister's virtual cyber security solutions to provide its customers with SD-WAN and Firewall services. Clavister is part of our NFVTime Arm-based ecosystem through a strategic partnership we established in 2019.

Post period, we completed the enhancement of NFVTime to enable its use in public cloud environments, such as Amazon Web Services and Microsoft Azure. This expands the addressable market to customers that operate cloud-based networks – which is typically enterprise customers or larger operators with a multinational footprint – as well as those that lack the internal resource to run the software in their datacentre.

ICT and Carrier Ethernet solutions and services

Revenue from the installation and servicing of networking equipment was slightly lower in 2020 due to COVID-19 lockdown measures restricting travel to the premises of customers and suppliers. However, we expect sales of our carrier Ethernet solutions and services to return to growth as these restrictions are lifted.

We continued our development efforts. This includes introducing new solutions to the T-Marc R3305 series of multiservice business routers to enable customers to meet the demand for increased home broadband connectivity and quality. The platform is undergoing proofs-of-concept worldwide and is in field trials with a tier 2 operator in Europe.

We also received growing interest in our ultra-high capacity service aggregation and cloud gateway platform, the T-Metro 8104, that enables customers to increase their network capacity. Following its launch in Q4 2019, we completed the deployment of hundreds of units for multi-service providers across North America during the year.

Cyber

In cyber, we were awarded a $4m contract from our long-standing government defence department customer. This further order, the majority of which was delivered in 2020, was for the provision of additional hardware and software cyber security products as the customer rolls out our solution to encompass further employees. The total contracted revenue awarded to date by this customer for this cyber solution is over $18m.

OUR VISION AND VALUES

Our vision is to be leaders in high-technology innovations that make a significant difference to the human experience

Innovation and invention

We harness extraordinary technical and entrepreneurial talents to bring leading, disruptive technologies successfully to market, at scale.

Reliability

Our customers trust us to deliver mission-critical products. Our products are built for reliability and performance at scale and in challenging conditions.

Responsibility

Our corporate responsibility extends through our focus business areas, to the way we interact with all our stakeholders and our impact on the environment and our communities.

Overall, revenue in our cyber security business was lower as a result of COVID-19 restrictions as well as the diversion of government budgets in response to the pandemic. However, we expect increased activity in this area in 2021 as public authorities begin to return to postponed projects.

Outlook

We entered 2021 receiving increasing demand for the solutions in our key target areas in both of our divisions.

The momentum in the Bio-Medical division has been sustained as we continue to receive strong demand for molecular diagnostic test kits and instruments. In the Diagnostics unit, we started the year with an order book significantly higher than at the equivalent period last year. We expect the Bio-Medical Division to remain the largest contributor to revenues this year.

In the Networking and Cyber division, we expect sales of NFVTime to make a material contribution to this division's full year revenue resulting from the scheduled rollout by PCCW Global and the anticipated adoption by other operators. In addition, due to the advanced technology of our carrier Ethernet and cyber security solutions, we are confident that sales in these product areas will return to growth once lockdown restrictions are lifted and normal business practices resume.

As announced on 19 March 2021, post period, we completed the sale of NGSoft and received NIS 93.7m (c. $29m). We intend to use the proceeds from the disposal to strengthen our innovation and commercialisation engine organically and through acquisition to accelerate our core activities – in particular, in NFV and molecular diagnostics. We believe these areas offer transformational growth opportunities in the short- to medium-term.

For 2021, we expect revenue growth from continuing operations, excluding the impact of the large ventilator contract received in 2020. We also expect to achieve further improvement in gross margin resulting from the anticipated increased contribution to revenue from our molecular diagnostics and NFV solutions. This reflects the strengthened foundations of the business, which we believe positions BATM for sustainable growth in profitability.

As a result, we look to the future with great confidence and look forward to updating the market on our progress.

Investment case

Large, global addressable markets
BATM operates in the large, global markets of networking, cyber security, diagnostics and other biomedical solutions; and in sub-segments on the verge of disruption.

Long-term approach
BATM takes a long-term approach to its investments by assessing long-range industry trends and building differentiated solutions backed by IP.

Risk diversification
BATM's portfolio includes a mix of both established and novel technologies, and targets a range of sub-segments, customer types and geographical markets.

Leadership & Expertise
BATM has a highly experienced management team and Board, with significant expertise in its target markets, and engages systematically with external, world-leading experts.

Strong balance sheet
BATM is cash generative and has a strong net cash position, supporting growth in investment, a progressive dividend policy and scope for acquisitions.

Financial growth
BATM targets revenue, margin and EPS growth both organically and via acquisition; and seeks to maximise shareholder value, where appropriate, through value realisation opportunities.

Business Model

Our strategy is powered by our purpose. We bring high-technology solutions that are innovative, cost-effective and reliable, to our chosen global sectors of networking and biomedicine. We build businesses from idea, to scale up, to mass market success, through organic and inorganic strategies. We seek to maximise long-term value through our capital allocation and portfolio management strategies.

Bio-Medical division

$128.7m +100%

2020 revenues

Our strategy

The Bio-Medical division is focused on becoming a leading provider of molecular diagnostic laboratory reagents and equipment as well as innovative products to treat biological pathogenic waste

Our business units:

- **Diagnostics**
- **Eco-Med**
- **Distribution**

- In diagnostics, BATM has developed its own equipment and reagents and is investing in developing the most advanced molecular biotechnology
- The Eco-Med unit develops and supplies innovative solutions to treat pathogenic and medical waste
- BATM also administers tests and distributes diagnostic equipment and medical supplies of other leading brands

Revenue model

Revenues are generated from the sale and distribution of consumables and equipment, and from providing equipment service & maintenance

Networking and Cyber division

$54.9m -7%

2020 revenues

Our strategy

The Networking and Cyber division is focused on becoming the leading provider of Network Function Virtualisation (NFV), while supplying Carrier Ethernet and MPLS access solutions, and cyber network monitoring and encryption

Our continuing business units:

- **Telco Systems**
- **Cyber security**

- The Networking unit services a wide need for access solutions to mobile, cloud and wireline infrastructure markets. Innovation is focused on cloud-based networks, and virtualisation and edge network computing
- In the Cyber unit, BATM provides network monitoring and encryption solutions for very high speed, large area networks

Revenue model

Revenues are generated from solutions that combine integrated hardware and software; and, in the future, increasingly from the sale of software-only solutions, to drive high gross margins and annual recurring revenue

Stakeholder Engagement and Value Creation

BATM seeks to deliver value to, and build strong, long-term relationships with, its stakeholders

The Board of BATM is committed to acting in a way that would most likely promote the long-term success of the Company for the benefit of its members as a whole. While the Company is not subject to the UK Companies Act 2006 and, accordingly, is not required to comply with the obligations of Section 172 of that legislation, the Directors are bound by, and comply with, the Israel Companies Act of 1999, which contains similar obligations.

Customers

Our customers rely on our technology solutions and equipment to operate and continue to grow. We seek to understand their evolving needs, enabling both BATM and our customers to share in the value creation.

How we engage

- Client relationship managers dedicated to key customers and key regions
- Annual customer surveys as part of the ISO audit and focused on all aspects of our customer relationships
- Training programmes on our solutions and products for our customers
- Working to understand growth drivers in our customers' markets

2020 HIGHLIGHTS

- **559 new customers won**
- **243 customer training programmes conducted**

Financial Investors

The Board has a fiduciary duty to promote the long-term sustainable success of the Group for its shareholders. Certain companies within the Group also have external investors, who are often key to the continued success of the relevant projects.

How we engage

- Regular dialogue and interaction
- Investor communications, including reports, presentations and website
- Meetings with institutional shareholders
- NEDs available to meet with shareholders on request
- Establishment of clear timelines, milestones and strategic goals

2020 HIGHLIGHTS

- **Approximately 35 shareholder meetings or scheduled calls**
- **Hosted an investor conference in Israel**

Employees

Our people are our greatest asset. In order to recruit and retain the best talent, we must ensure that we are an employer of choice and that our employment policies are sensitive to our employees' priorities and requirements.

How we engage

- A dedicated Human Resources function, comprising a network of departments at subsidiary level
- Open and transparent communication with our workforce
- Annual employee satisfaction surveys
- Personal and career development
- Recognition and rewards
- Code of Conduct

2020 HIGHLIGHTS

- **Employee base expanded to c. 1,196 (2019: 1,138)**
- **Created 'voice of the workforce' NED role (appointed Prof. Varda Shalev post period)**

Communities

We strive to be a responsible corporate citizen within the local and wider communities in which we operate, by behaving in a sustainable and socially-responsible manner and supporting local businesses and charities.

How we engage

- Research and development and testing products in the diagnosis of infectious diseases, including COVID 19
- Solutions for the safe treatment of pathogenic waste, particularly in developing economies
- Local initiatives that support community and charitable organisations
- Active encouragement of employees to work to further charitable goals

2020 HIGHLIGHTS

- **Raised $32k for charitable causes**
- **Donated computers to a local school**
- **Supported a non-profit organisation that finds workplaces for people with disabilities**

Markets

BATM has identified its future primary growth markets as Molecular Diagnostics and Network Virtualisation

Molecular Diagnostics

USD 15.4 billion by 2026
Global annual molecular diagnostics market
(Source: Global Market Insights)

9% CAGR
(Source: Global Market Insights)

Macro market drivers

- Economic cost of healthcare and disease
- Population growth and demographic trends
- New treatment models, including screening and personalised medicine
- Drug and treatment safety
- Detection and monitoring of infectious diseases

BATM solution demand drivers

- Advances in molecular techniques and biomarker identification
- Accuracy, specificity and speed
- Growth of Companion, Point of Care and at-home diagnostics
- Role of molecular diagnostics in oncology
- Connectivity, data collection and AI

Molecular diagnostic tests are used to detect specific biological molecules, or genomic variants, in order to help diagnose, treat and monitor infectious and non-infectious diseases. Molecular diagnostics comprises a number of different testing methodologies. BATM serves the molecular diagnostics market through the Diagnostics unit, which comprises Adaltis (instruments and molecular diagnostic tests) and Ador Diagnostics (molecular multiplexing instruments and panels) and through the Distribution unit.

Network Function Virtualisation

USD 36.3 billion by 2024

Global annual NFV market

(Source: marketsandmarkets)

22.9% CAGR

(Source: marketsandmarkets)

Macro market drivers

- Increasing network traffic and complexities
- Demand for cloud-based services
- Enterprise mobility
- Deployment of 5G
- Internet of Things

BATM solution demand drivers

- Faster and lower cost deployments
- Increased system performance
- Automated operations
- Efficient inventory management
- Lower carbon footprint

Network Function Virtualisation (NFV) enables multiple network devices – such as routers, firewalls, SD-WANs and others – to be replaced with a single generic hardware platform that runs many network functions simultaneously. BATM's NFVTime is a (software) operating system that enables different network functions to run on any hardware and on both x86 (Intel) and arm chipsets.

Chief Financial Officer's Review

Moti Nagar, CPA
Chief Financial Officer

Total Group revenue for 2020 increased by 49% to $183.6m (2019: $123.4m). This reflects significant growth in the Bio-Medical division, which accounted for 70% of total revenue (2019: 52%) and 30% was contributed by the Networking and Cyber division (2019: 48%). The second half of the year was particularly strong, with revenue in H2 2020 being 37% higher than H1 2020.

The gross margin for the year improved to 33.1% (2019: 26.9%). This reflects a substantial increase in the gross margin for the Bio-Medical division, which accounted for 77% of total gross profit and more than offset a reduction in gross margin in the Networking and Cyber division as described below.

Sales and marketing expenses were $20.2m (2019: $16.3m), representing 11% of revenue compared with 13% in 2019. The increase in sales and marketing expenses is attributable to the COVID-19 related products in the Diagnostics and Eco-Med units of the Bio-Medical division. There was also an increase in sales activity in the Distribution unit, which reflects its ongoing business development and partially related to the distribution of COVID-19 solutions.

General and administrative expenses were $15.9m (2019: $11.8m), representing 9% of revenue compared with 10% in 2019, reflecting the greater size and activity of the business.

R&D expenses were higher in 2020 than the previous year at $10.3m (2019: $6.8m), which reflects investment in our molecular biology and COVID-19 products as well as in our NFV technology.

Adjusted operating profit increased by 183% to $15.0m compared with $5.3m in 2019. This growth reflects the significantly higher revenue and gross profit. It also includes a capital gain of $0.6m from the revaluation of our ownership of Ador Diagnostics. The adjusted operating profit for 2019 includes (under other operating income) a capital gain of $3.2m from the revaluation of our ownership of Ador Diagnostics and $3.4m from the sale of our rights in IBC Holdings, a joint venture to construct a fibre optic broadband network in Israel, to Cellcom Israel Ltd.

EBITDA grew by 100% to $19.7m (2019: $9.8m), reflecting the increased operating profit.

Net finance expense was $0.9m (2019: $0.3m income), which is largely due to the adverse effect of foreign exchange rate fluctuations (primarily in the Euro, Moldovan Leu and Hungarian Forint), compared with a positive impact in 2019. Currency fluctuations had an immaterial impact on revenue and operating profit.

Net profit after tax attributable to equity holders of the parent increased to $9.8m (2019: $3.9m) resulting in a significant increase in basic earnings per share to 2.22¢ (2019: 0.93¢).

At 31 December 2020, inventory was $33.9m (31 December 2019: $22.7m). The increase is primarily due to the expansion of production of diagnostic products to satisfy orders to be delivered in 2021. Trade and other receivables decreased slightly to $41.5m (31 December 2019: $42.8m).

Intangible assets and goodwill at 31 December 2020 were $23.7m (31 December 2019: $23.7m).

Property, plant and equipment and investment property was $18.0m (31 December 2019: $16.1m). The increase is mostly due to investments in the Diagnostics unit to expand production capacity.

The balance of trade and other payables was $53.6m (31 December 2019: $44.5m). The increase is primarily due to provisions for suppliers for the ventilator project that were due to be paid in Q1 2021 as well as for supplies to support the ongoing demand for our diagnostic solutions.

Cash from operating activities increased to $18.5m for 2020 compared with $7.2m for the prior year. The growth is mainly

	H1 2020	H2 2020	FY 2020	FY 2019
Revenue	$77.4m	$106.2m	$183.6m	$123.4m
Gross margin	29.7%	35.6%	33.1%	26.9%
Adj. operating profit	$2.8m	$12.2m	$15.0m	$5.3m

due to the increased profit for the year and an improvement in working capital.

Our balance sheet was strengthened with effective liquidity of $53.4m at 31 December 2020 compared with $44.3m at 30 June 2020 and $44.8m at 31 December 2019. This is comprised of cash and cash equivalents of $50.6m (30 June 2020: $40.0m; 31 December 2019: $40.6m) and financial assets of $2.8m (30 June 2020: $4.3m; 31 December 2019: $4.3m). Financial assets represent cash deposits of more than three months' duration, held for trading bonds and marketable securities. The change in financial assets compared with the prior periods reflects timing of deposit disposals. The increase in cash and cash equivalents relates to the higher profit and improvement in working capital.

Divisional performance

Bio-Medical Division	FY 2020	FY 2019
Revenue	$128.7m	$64.4m
Gross margin	36.3%	23.6%
Adj. operating profit	$19.4m	$0.1m

Revenue for the Bio-Medical division increased by 100% to $128.7m (2019: $64.4m), reflecting significant growth in the Diagnostics, Eco-Med and Distribution units by 318%, 509% and 26% respectively. The Diagnostics unit accounted for 18% of the Bio-Medical division's revenue, the Eco-Med unit for 31% and the Distribution unit for 51% (2019: 9%; 10%; 81%). Gross margin improved to 36.3% (2019: 23.6%) due to the high-margin nature of the new molecular biology and COVID-19 products in the Diagnostics and Eco-Med units. As a result of the substantially higher revenue and gross margin, the Bio-Medical division generated an adjusted operating profit of $19.4m for 2020 compared with $0.1m in 2019.

Networking & Cyber Division	FY 2020	FY 2019
Revenue	$54.9m	$59.0m
Gross margin	25.5%	30.5%
Adj. operating profit/(loss)	$(4.5)m	$5.2m

Revenue in the Networking and Cyber division was slightly lower in 2020 than the previous year due to COVID-19 lockdown measures causing restrictions on travelling to the premises of customers and suppliers. As a result of a shift in sales mix towards lower margin products mainly in ICT, combined with the continued investment in new solutions, notably NFVTime, the Networking and Cyber division recorded an operating loss. The adjusted operating profit for the prior year also included the exceptional gain of $3.4m from the sale of rights in IBC Holdings.

Sale of NGSoft

Post period, as announced on 19 March 2021, we sold our NG Soft Ltd ("NGSoft") subsidiary for a total consideration of NIS 105.1m (c. $33m), of which BATM received NIS 93.7m (c. $29m), to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund.

NGSoft is a software and digital services company that provides creative digital and technology solutions. Its development activities did not include any of our NFV or cyber solutions. Accordingly, the Board believes it was in the best interests of BATM and of all shareholders to generate value from the sale of NGSoft and invest the proceeds to accelerate our core activities.

Dividend

The Board of BATM has resolved to recommend the distribution of a dividend for full year 2020. In accordance with Israeli law, a dividend can only be declared following the publication of the audited annual report and accounts. Accordingly, we will provide further details in due course.

Key Performance Indicators

The following key performance indicators ("KPIs") have been selected as the most appropriate measures of strategy execution for the Group. We review our KPIs on an ongoing basis to ensure they remain relevant.

Group revenue

$183.6m +49%

(2019: $123.4m)

Description Revenue reflects the element of billings generated and recognised during the period from all operations.

Why it is a KPI Measures our overall performance at the sales level.

Performance Significant growth in our Bio-Medical division (increased revenue in all units) more than offset a slight reduction in the Networking & Cyber division.

EBITDA

$19.7m +100%

(2019: $9.8m)

Description Group earnings before interest, tax, depreciation and amortisation.

Why it is a KPI Key measure of our effectiveness in turning revenue into earnings.

Performance Substantial increase reflecting higher revenue and gross profit plus a capital gain from the part realisation of our ownership of Ador Diagnostics.

R&D expenses

$10.3m +51%

(2019: $6.8m)

Description Direct expenditures relating to our efforts to develop, design and enhance our products, services and technologies.

Why it is a KPI Sustained innovation is key to our strategy and this metric represents our investment to achieve it.

Performance Increased investment to advance our molecular biology and COVID-19 products as well as in our NFV technology.

Cash from operating activities

$18.5m +158%

(2019: $7.2m)

Description Amount of money the Group brings in from our ongoing, regular business activities.

Why it is a KPI It reflects how much cash is generated by our core activities that can be used to maintain or invest in the growth of our business.

Performance Strong increase in cash generation due to the growth in profit and improvements in working capital.

The Group monitors certain non-financial performance indicators at an operational level. However, none of these are currently considered to be individually appropriate as a measure of overall strategy execution success.

Sustainability Review

Sustainability is at the heart of our business. Through medical diagnostics, environmental protection and technologies enabling a smarter world, our solutions are designed to address societal challenges of today and what we believe will be the demands of the future. We have built a business to last and continuously take practical steps to ensure longevity and the sustainable creation of value for our stakeholders. At the same time, both through our solutions and our actions, we are committed to protecting the environment to preserve our planet for the generations to come.

People

Our people are our greatest asset and vital to sustaining our success. We have employees in eight countries, including scientists, engineers, sales & marketing personnel and those in corporate functions. In order to recruit and retain the best talent, we must ensure that we are an employer of choice and that our employment policies and practices are sensitive to our employees' priorities and requirements.

Engagement

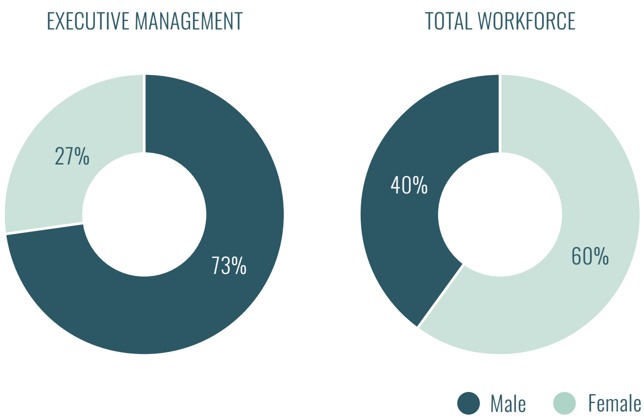
We are committed to maintaining open and transparent communication with our workforce, and listening to our people and taking into account their feedback. To support employee engagement, we have a dedicated human resources function comprising a network of human resources departments at subsidiary level each headed up by a VP-level executive. In February 2021, we also appointed Prof. Varda Shalev, Non-Executive Director, as "voice of the workforce" to increase the awareness and understanding of employee views among the Board of Directors. Following an initial meeting between Prof. Shalev and BATM's VP Human Resources, a programme of activity is being developed to facilitate dialogue between the Board and the workforce, with information feeding into the Board's decision-making process and communications back to the workforce on how the Board has considered and acted on it.

A number of our subsidiary companies conduct annual employee satisfaction survey exercises and these have recorded consistently high results over the past few years. The senior management within these businesses regularly communicate with employees on areas including Group strategy and progress. Within our Telco Systems subsidiary, and at our NG Soft subsidiary prior to the sale of that business in March 2021, we hold semi-annual or annual 'roundtable' discussions for all employees to meet with the VP Human Resources to share their views. We also hold an annual employee event – which was held virtually in 2020 – and ad hoc social events designed to engender team spirit.

We prioritise training and development for our workforce, which we continued during 2020 with much of this activity occurring online. Within our Networking and Cyber division, we have numerous training schemes focused on skills enhancement and the achievement of additional career-enhancing qualifications, and often supply in excess of two weeks training per year for individual employees. Another example is the Distribution unit of the Bio-Medical division, which provides its employees with hundreds of hours of product training and skill development during the year.

Diversity

BATM strives to provide opportunities for women at all levels of the business and to increase the proportion of women working at senior levels over time. As of 31 December 2020, of the total workforce across the Group 60% of employees were female and 27% of the total executive management positions were held by females. We encourage employment for people drawn from a wide range of socioeconomic backgrounds. One of our medical diagnostic testing subsidiaries in Israel, for example, has approximately 50% of its workforce drawn from religious and ethnic minorities (a significantly higher proportion than within the country's overall population). In addition, one of our subsidiaries employs a number of people with disabilities via its work with a non-profit organisation that finds places of employment for people with disabilities.



Sustainability Review CONTINUED

Equality

We are committed to providing a working environment in which all employees feel valued and respected and are able to contribute to the success of the business. We actively promote equal opportunities within all of our businesses and align our approach with international human rights standards. We educate all new employees on our Code of Conduct and provide training programmes for all of our workforce on the prevention of sexual harassment. We believe our employees should be able to work in an environment free from discrimination, harassment and bullying, and that employees, job applicants, customers, and suppliers should be treated fairly regardless of:

— race, colour, nationality, ethnic or national origins;

— gender, sexual orientation, marital or family status;

— religious or political beliefs or affiliations;

— disability, impairment or age.

During 2020, we updated our corporate website to enable accessibility for people with disabilities.

Health, Safety & Wellbeing

BATM prides itself on providing high levels of standards on the health and safety of its employees. We have, and adhere to, health and safety guidelines at all of our subsidiaries. During 2020, there were no health and safety incidents reported and we did not receive any regulatory fines or penalties in relation to health and safety matters.

We also took extra steps to support our workers during the pandemic. We allowed employees to work from home and also to work more flexible hours. For those who needed it for home working, we provided computers, equipment and office supplies.

Anti-bribery & Corruption

BATM promotes responsible business behaviour including the adherence to anti-bribery and corruption guidelines that have been distributed to all employees along with information about BATM's whistleblowing mechanism that is regularly communicated.

The whistleblowing procedure is managed by an independent administrator who is a partner at an Israeli professional services firm, Chaikin, Cohen and Rubin. Employees are encouraged to approach the administrator by phone or email if they have concerns about possible wrongdoing including potential or actual breaches of applicable laws and regulations and fair business conduct. The approach can be anonymous, if the employee chooses. The Company has undertaken not to take subsequent disciplinary action against a complainant unless the report was subsequently judged to have been made in bad faith or to be malicious.

During 2020, there were no instances of whistleblowing reports, bribery, corruption or business interruptions as a result of regulatory activity.

Communities

We strive to be a responsible corporate citizen within the local and wider communities in which we operate by behaving in a sustainable and socially responsible manner and supporting local businesses and charities.

We actively encourage every employee to work to further charitable goals. During 2020, we:

— were involved with local charitable organisations and hospitals that are designed to help bridge socio-economic divides;

— donated used computers to a local school;

— arranged, at least once a quarter, for the collection and subsequent distribution of baskets of both basic food products and toys to disadvantaged families; and

— raised $32k for charitable causes.

In addition, a key tenet of our strategy is the research and development of solutions to counter the spread and improve the diagnosis of infectious disease, and BATM's management team regularly gives their time as expert advisors in the field of medical diagnostics. Our products are designed to be able to be used at the point-of-care in community healthcare facilities or in small- to medium-sized laboratories rather than purely in mega labs in a central location. We achieve this through producing solutions that, relatively, have a small footprint, are simple to use and are available at an appropriate price point.

Environment

We are passionate about protecting the environment, which is reflected both in our actions as a business and in the solutions that we produce.

During 2020, we continued to roll-out measures to reduce our impact on the environment, including:

— switching cars leased by employees from petrol to either hybrids or electric, including both the CEO and CFO using plug-in hybrid electric vehicles (PHEVs);

— continuing our programme of upgrades to energy and lighting systems in our plants and offices to lower energy equivalents, including switching all the lighting in our Celitron facilities to LED light bulbs; and

— in our subsidiaries in Italy, we invested in changing the roofing to improve the sustainability of the heating and cooling systems.

We also provide environmental guidelines at all of our operating companies. There were no environmental incidents and we did not receive any regulatory fines or penalties in relation to environmental matters during the year.

We have several solutions, particularly within our Eco-Med unit, that support environmental sustainability:

— Our Celitron subsidiary produces solutions for the safe, effective and environmentally-friendly treatment of pathogenic waste from food production or medical and pharmaceutical facilities. These solutions enable customers to significantly reduce their environmental impact and also offer the ability to recover and recycle proteins and lipids.

— During 2020, Celitron delivered its first instrument for the recovery of high-quality protein and oils from insects. Insects have great potential to become a sustainable source of protein.

— Our Green Labs subsidiary produces environmental measuring systems, including solutions for testing air pollution levels and in large manufacturing plants.

— Our network function virtualisation solutions reduce the amount of hardware needed and increase network efficiency, enabling customers to consume less energy and reduce the carbon footprint for the same output.

Risk Management

Principal Risks and Uncertainties

The risks outlined below are those that the Board considers to be material to the Group. The Board routinely monitors risks that could materially adversely affect the ability of the Group to achieve its strategic goals and to maintain financial stability, assisted by the senior management team.

	Risk	How we manage the risk	Risk change in 2020
Political and economic	There is a risk of harm to the business from political unrest or disruption, particularly in emerging markets, and from a deterioration of economic conditions.	The Group's operations are dispersed over a number of locations so that should a material adverse political or economic event arise in one location the Group can continue with little harm to its overall business.	—
Legal and compliance	There is a risk that legal and/or regulatory requirements are not met, leading to the loss of licence to operate, reputational damage or financial loss.	The Group retains very experienced legal advisers of a high calibre for the Company and main subsidiaries in the Group who provide ongoing advice and updates on relevant legal compliance requirements.	—
Business continuity (including impact of COVID-19)	There are risks to business continuity from specific events, including natural disasters and the COVID-19 pandemic.	The Group operates in numerous locations and its manufacturing contractors are also located in multiple locations so that in the case of a business disaster the Group's recovery would be very quick and continuity is guaranteed. In addition, the key employees in the workforce have been positioned such that they are able to work without interruption by working remotely from their homes.	↑
Competition	There is a risk that BATM is unable to build and maintain competitive advantage in its focus markets.	The Group is a leading company in those technological areas in which it operates and aspires to be a dominant player in each such niche. The Group periodically evaluates how to improve its efficiency by developing and producing better quality and performance products at more attractive prices – thus giving it an advantage over its competitors.	—
Customer and partners	There is a risk of harm to the Group's revenues as a result of termination of business relationships with material customers or partners and sales agents.	The Group maintains ongoing dialogue with its customers and business partners in order to identify ahead of time any potential problems arising on the part of the customer and in order to maintain a close relationship with its customers.	↑

	Risk	How we manage the risk	Risk change in 2020
Research & Development (R&D)	There is a risk that R&D programs overrun or do not deliver the expected benefits.	With respect to its R&D, the Group's strategy has been to diversify its R&D operations among a variety of teams, internally and externally (through universities and hospitals that carry out clinical tests) and by using different R&D funding sources – thus reducing the R&D risk. In addition, any significant new R&D projects are brought to the Board for consideration.	↓
Information security (including cyber security)	There is a risk of information security, data loss and corruption, and physical damage to IT infrastructure.	The Group routinely carries out IT evaluations to ensure that its IT systems have the latest cyber security tools and security procedures in place. In addition, BATM and two of its subsidiaries operating in the networking and cyber niches are approved suppliers to the Israeli Ministry of Defense and, as such, are continually monitored by the MoD and must maintain the highest level of cyber security.	–
Foreign Exchange	There is a risk that the Group's currency exposure leads to financial loss.	The Group's finance department at the corporate level manages the cash and income in such a way as to match each company's or subsidiaries' revenues to its expenses and keeps these in the same currency, thereby avoiding any currency exposure. When this is not possible, the Group uses hedging transactions when needed to protect itself against potential currency risk.	↓

Viability Statement

The Directors have assessed the Company and the Group's viability over a period of three years. The Directors have determined that a three-year period is an appropriate timeframe for assessment because it is aligned to the Group's strategic planning process and therefore reflects the Board's best estimate of the future viability of the business.

In making their assessment, the Directors took account of the Company and the Group's current financial and operational positions and contracted capital expenditure. They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out above and the likely degree of effectiveness of current and available mitigating actions. Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due for the three years to 31 December 2023.

In making this statement, the Directors have also made key assumptions (see note 4 to the financial statements).

Directors' Biographies

Gideon Chitayat
Non-executive Chairman

Dr. Gideon Chitayat is the Chairman and CEO of GMBS Ltd, a strategic consulting firm. He served as a Chairman and director of Delta Galil Industries, Milissron Shopping malls, Paz Oil Company, Teva Israel Pharmaceutical Industries, Bank Hapoalim and Israel Aircraft Industries. He has provided consultancy services in business strategy to the board and presidents of large companies. He served as Adjunct Professor at Tel Aviv University, Recanati Business School. Dr. Chitayat holds a Ph.D. in Business & Applied Economics from the University of Pennsylvania, Wharton School and a Master's in Business & Applied Economics from the Hebrew University, Jerusalem. Dr. Chitayat joined the Board of BATM in June 2010 and was appointed Chairman in January 2015. He was re-elected as Director and Chairman of the Board in December 2020.

Zvi Marom
Founder & CEO

Dr. Zvi Marom founded BATM in 1992. A former first lieutenant in the Israeli Navy, he graduated with excellence in Electronics from the Naval Academy and with excellence from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler – Gold Schlagger School of Medicine, Israel and an MSc in Industrial Electronics. Dr. Marom is on the boards of several national and international academic committees for computing and communications, and was the Chairman of the Board of the Israeli Hi-Tech & Innovation Industries Association of the Manufacturers' Association of Israel until January 2021. He is currently a director of Shore Capital Group plc, a UK company listed in Bermuda, and receives remuneration for his services. Dr. Marom was re-elected as a Director of BATM in December 2020.

Moti Nagar
Executive Director & CFO

Moti Nagar, CPA joined BATM in 2014. Previously, Mr. Nagar held several management positions in Deloitte – Israel. As Senior Manager at Deloitte – Israel, he interfaced and handled the engagement relationships with leading corporate global clients, including companies traded on the LSE, NASDAQ, TSE and large private companies primarily in the industrial, services and energy sectors. Mr. Nagar also led and supported public offerings of corporations in Israel and provided advice on taxation, including international taxation. Mr. Nagar graduated in Business Management and Accounting and qualified as an Israeli Certified Accountant (CPA, Israel) in 2008. He also holds an MBA in Financial Management from Tel Aviv University. Mr. Nagar does not serve as a director in any other publicly listed company. He was re-elected as a Director of BATM in December 2020.

Harel Locker

Non-executive Director & Senior Independent Director

Harel Locker served as the Director General of the Israeli Prime Minister's Office and head of Prime Minister Benjamin Netanyahu's economic headquarters between 2011 and 2015. Mr. Locker practiced commercial law for more than 25 years with both Tel Aviv and Wall Street, New York City, first tier law firms. Mr. Locker has been the Chairman of the Board of Israel Aerospace Industries Ltd, the leading Israeli aerospace and defence company, since 2017 and of Paz Oil Ltd, the leading Israeli energy company, since 2021. Mr. Locker was appointed to the Board of BATM in September 2016 and his first three-year term expired in September 2019. He was proposed for re-election by the Board for a second three-year term, in accordance with Israeli law, which was approved by shareholders in December 2019.

Ari Shamiss

Non-executive Director

Prof. Ari Shamiss is a co-founder and managing general partner at Assuta Life Ventures and, until 2020, was CEO of Assuta Medical Centers, the largest private medical network in Israel. He is a board member of, and adviser to, numerous high-tech companies and is involved in several global business projects in healthcare technology and infrastructure. Prof. Shamiss is certified in Internal Medicine, Hypertension and Healthcare Management and he is a Professor of Medicine at Ben Gurion University School of Medicine, with more than 60 published scientific papers. Previously, he was a Director of Sheba General Hospital at Tel Hashomer for 10 years and was the Surgeon General for the Israel Air Force (Col. Ret.) and the Director of its Aeromedical Institute. Prof. Shamiss holds an MD from the Technion Institute and an MPA from Harvard University, and he graduated with excellence from the US Navy Aerospace Medical Institute. He was appointed to the Board of BATM in November 2018 for a three-year period as an external director in accordance with Israeli law.

Varda Shalev

Non-executive Director

Prof. Varda Shalev is a specialist in epidemiology, medical informatics and predictive analytics in community healthcare. She was a founder and director of the Morris Kahn & Maccabi Institute for Health Research and Innovation and is an active primary care physician. She has pioneered the development of multiple disease registries to support chronic disease management, and has authored or co-authored over 200 publications in peer-reviewed medical journals. In addition, she is a Professor at the Tel Aviv University School of Public Health and sits on the advisory board of several med-tech businesses. She is also a practicing family physician. She was appointed to the Board of BATM in November 2018 for a three-year period as an external director in accordance with Israeli law.

Corporate Governance Report

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for such governance. The Board carefully reviews all new regulations relating to the principles of good corporate governance and practice and endeavours to apply them where applicable. It also carefully reviews any comments received from independent reviewing agencies and shareholders and communicates with them directly. The Company believes that the combination of the experience of its Chairman, Dr. Gideon Chitayat, with the experience and expertise of its External Directors provides the Company with the relevant leadership to address its position as an Israeli company that is traded on the London Stock Exchange and which is also traded on the Tel Aviv Stock Exchange.

CORPORATE GOVERNANCE FRAMEWORK

The Board has delegated the daily operational management of the business to the CEO and CFO, and holds them to account for their responsibilities. The CEO is supported in this task by the executive management team. The Board also operates through a number of committees: Audit, Remuneration, Nomination and Responsible Business.

THE BOARD

During 2020, the Board consisted of the Chairman, two Executive Directors and three independent Non-executive Directors (defined as 'external directors' under Israeli law). All the Directors bring a broad and valuable range of skills and experience to the Group (their biographical details are set out on pages 24 to 25. The division of responsibilities between the Chairman, CEO and other Directors is clearly established, and no individual has unrestricted powers of decision.

MATTERS RESERVED FOR THE BOARD

The Israeli Companies Law, which applies to the Company, sets out and defines the responsibilities and duties of, and areas of decision for, the Board. These include approval of financial statements; dividends; Board appointments and removals; long-term objectives and commercial strategy; changes in capital structure; appointment, removal and compensation of senior management; major investments including mergers and acquisitions; risk management; corporate governance; engagement of professional advisers; political donations; and internal control arrangements. The ultimate responsibility for reviewing and approving the annual report and financial statements, and for ensuring that they present a balanced assessment of the Company's position, lies with the Board. These provisions have been fully complied with.

BOARD AND COMMITTEE MEETINGS

In compliance with Israeli company legislation, the Board meets at least four times a year in formal session. Prior to each meeting, the Board is furnished with information in a form and quality appropriate for it to discharge its duties concerning the state of the business and performance. The Company Secretary, Mr. Arthur Moher, attends all Board and Board committee meetings. The Chairman met with Non-executive Directors, without the Executive Directors present, during the year.

Meeting attendance

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Dr. Gideon Chitayat, Chairman	6/6	–	1*	–	0/0
Dr. Zvi Marom, CEO	6/6	–	–	–	–
Moti Nagar, CFO	6/6	3*	–	–	0/0
Harel Locker, SID	4/6	2/3	1/1	0/0	0/0
Prof. Ari Shamiss, NED	6/6	3/3	1/1	0/0	0/0
Prof. Varda Shalev, NED	6/6	3/3	1/1	0/0	0/0

*** Attended by invitation**

DIVISION OF RESPONSIBILITIES

The responsibilities of the Chairman, CEO and other Directors are clearly set out and defined under Israeli Companies Law, with no individual having unrestricted powers of decision. In addition, during the year under review, the Board adopted formal terms of reference defining the role and duties of the Chairman.

The Chairman is responsible for the leadership of the Board, while the responsibility for the day-to-day management of the Group has been delegated to the CEO. The CEO is supported by the executive management team, which is responsible for making and implementing operational decisions and for making recommendations to the Board.

INDEPENDENCE

The Board continues to consider that the Non-executive Directors, including the Chairman, are independent in character and judgment and no circumstances or matters (including any business or other relationship) exist that could compromise such independence. The interests of the Directors in the Company and their shareholdings are set out on page 46.

Independent Non-executive Directors (including the Chairman) form the majority of the Board. The Chairman is subject to annual re-election by shareholders at the Annual General Meeting. Harel Locker, Prof. Ari Shamiss and Prof. Varda Shalev, as 'external directors' under Israeli law, are appointed for a minimum of one three-year term, which may be extended by the Company (subject to shareholder approval) for no more than two additional terms of three years each. The external directors, in accordance with Israeli law, cannot be subject to annual re-election (but the law does allow for their removal from office if certain conditions are met).

EFFECTIVENESS & EVALUATION

The Board's members have a wide breadth of experience in areas relating to the Company's activities, including in business development, technology (especially in the bio-medical and diagnostics areas), entrepreneurship and risk management. All of the Directors are of a high calibre and standing. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a director of a listed company and that the Board is comprised of a good balance of Executive and Non-executive Directors to ensure it performs its duties effectively. Further biographical details can be found on pages 24 to 25.

The Nomination Committee is responsible for succession planning and conducting the process to appoint new Board members. However, ultimately, the appointment of any new Director is a matter for the Board.

The Board is satisfied that the Chairman and each of the Non-executive Directors are able to devote sufficient time to the Company's business. Non-executive Directors are advised on appointment of the time required to fulfil their role.

Following an internal evaluation of Board effectiveness in 2019, during the year under review the Board took actions to increase its effectiveness.

INDUCTION

The induction of newly elected Directors into office is the responsibility of the Chairman of the Board. The new Directors receive a memorandum on the responsibilities and liabilities of Directors from the Company's general counsel as well as presentations on all activities of the Company by senior members of management and a guided tour of the Company's corporate headquarters and the premises of its main subsidiaries in Israel.

INFORMATION AND SUPPORT

Prior to each Board meeting, the Directors are furnished with information in a form and quality appropriate for them to discharge their duties concerning the state of the business and performance. The Directors receive periodically a detailed operating report on the performance of the Company in the relevant period, including a consolidated statement of financial position. A fuller report on the trading and quarterly results of the Company is provided at every Board meeting. Once per year, a budget is discussed and approved by the Board for the following year. All Directors are properly briefed on issues arising at Board meetings and any further information requested by a Director is always made available.

The Company has an experienced Company Secretary, Mr. Arthur Moher, who is also one of the Company's legal advisers, and all the Directors have access to Mr. Moher's services. Mr. Moher is present at every Board meeting and Board committee meeting.

The Directors may take independent professional advice at the Company's expense in furtherance of their duties.

Corporate Governance Report *CONTINUED*

BOARD COMMITTEES

The Board has appointed an Audit Committee, a Remuneration Committee and a Nomination Committee to deal with specific aspects of the Company's affairs and ensures that each such committee is fully constituted and operates as required under the Israeli Companies Law. In addition, the Board has appointed a Responsible Business Committee to deal with social, environmental, health and safety practices, diversity and similar matters with respect to the way the Company conducts itself. As of 31 December 2020, the composition of the aforementioned committees and an overview of their activities are as detailed below.

Audit Committee
Members: Prof. Ari Shamiss (Chairman), Harel Locker and Prof. Varda Shalev

The Audit Committee meets at least twice a year. The membership of the Audit Committee consists of the Company's independent Non-executive Directors. The Board has considered the requirements of the UK Corporate Governance Code with respect to the composition of audit committees and is satisfied that all members of the Audit Committee have recent and relevant financial experience and that the Committee as a whole has competence relevant to the sectors in which the Group operates.

The Audit Committee has been delegated responsibility for ensuring the financial performance of the Group is properly reported on and reviewed and for the monitoring of the external auditor, the internal auditor and oversight of internal controls. Further details on the Audit Committee's responsibilities and main activities are set out in the Audit Committee Report on pages 32 to 34.

Remuneration Committee
Members: Prof. Varda Shalev (Chairman), Harel Locker and Prof. Ari Shamiss

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's policy on staff remuneration and for the determination, within agreed terms of reference, of specific remuneration packages for the Chairman of the Company and each of the Executive Directors (including pension rights and any compensation payments). The membership of the Remuneration Committee consists of the Company's independent Non-executive Directors.

Further details on the Remuneration Committee's responsibilities and activities can be found in the Remuneration Committee Report on pages 35 to 37 (within the Directors' Remuneration Report). Information on the Company's policy regarding the setting of Directors' remuneration together with the remuneration of Directors is set out in the Directors' Remuneration Report on pages 35 to 48. The Company's current remuneration policy as recommended by the Remuneration Committee was approved at the Annual General Meeting of the Company in October 2017 and was re-approved for an additional term of one year at the last Annual General Meeting of the Company in December 2020. The remuneration policy is more fully explained in the Directors' Remuneration Report.

Nomination Committee
Members: Harel Locker (Chairman), Prof. Ari Shamiss and Prof. Varda Shalev

The membership of the Nomination Committee consists of the Company's independent Non-executive Directors. During the year under review, Dr. Gideon Chitayat, the Chairman of the Board, stepped down from the Nomination Committee and was replaced as Chairman of the Nomination Committee by Harel Locker, the Senior Independent (Non-executive) Director.

The Nomination Committee is specifically tasked with assessing the process utilised by the Company in relation to Board appointments and in monitoring diversity during the recruitment process and in the context of the resulting appointment made. During the process, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment while evaluating the balance of skills and experience in identifying a candidate pool and in the recruitment of Board members from such potential candidates, with consideration given to the balance of skills, experience, independence and knowledge on the Board. Board appointments are made on merit set against objective criteria having due regard, amongst other things, to the benefits of diversity on the Board.

Prior to the date of expiration of office of a non-executive director or in cases of early resignation of a director, the Nomination Committee considers the necessary skills, experience and expertise required of potential candidates and prepares a list of potential candidates. Since Israel is a relatively small country, the Nomination Committee is able to obtain recommendations through objective professional directors in various industries of persons that could fit the requirements needed by the Company. Once this is done, a number of appropriate candidates (who have relevant experience in those lines of business in which the Company is engaged and the personal qualifications that fit the Company) are interviewed by the Chairman of the Board. After the interview, the Nomination Committee presents its recommendations to the Board which, if deemed necessary, may expand on the interview and research process in order to find the optimum candidate for the office of director in the Company. Generally, no external search consultancy firm is used or advertisement published by the Company, for the reasons explained above.

Responsible Business Committee

Members: Dr. Gideon Chitayat (Chairman), Moti Nagar, Harel Locker, Prof. Ari Shamiss and Prof. Varda Shalev

The primary role of the Responsible Business Committee is to assist the Board in:

- understanding the views of key stakeholders in the Company;
- understanding the Company's impact on community and environment; and
- ensuring that the Board is aware of the processes used by the Company in engaging with its key stakeholders.

The duties of the Responsible Business Committee pursuant to its terms of reference are:

- to assess and monitor culture to ensure alignment with the Company's purpose, values and strategy;
- to be responsible for interaction and engagement with the workforce on behalf of the Board, as and when relevant;
- to oversee, monitor and help generate the Company's health and safety systems and practices; and
- to help the Board understand the impact of the Company's operations on the community and environment.

While there were no formal meetings of the Responsible Business Committee during the year, the members considered methods for improving workforce representation in the boardroom. This resulted with the creation, post period, of the role (with properly constituted terms of reference) of 'Voice of the workforce' to be fulfilled by a Non-executive Director. Prof. Varda Shalev was nominated as the first Non-executive Director to fulfil this role and, following her appointment, she has held an initial meeting with the Group's VP Human Resources. A programme of activity is now being developed to facilitate dialogue between the Board and the workforce to increase the awareness and understanding of employee views among the Directors, with information feeding into the Board's decision-making process and communications back to the workforce on how the Board has considered and acted on it.

RELATIONS WITH SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

Communication with shareholders is given high priority. The half-yearly and annual results are intended to give a detailed review of the business and developments, and are available on the Company's website to all shareholders. Printed copies of the full Annual Report are made available on request. The Company's website (www.batm.com) contains up to date information on the Company's activities and published financial results. The Company solicits regular dialogue with institutional shareholders (other than during closed periods) to understand shareholders views. The Board also uses the Annual General Meeting to communicate with all shareholders and welcomes their participation. Directors are available to meet with shareholders at appropriate times. The Company is committed to having a constructive engagement with its shareholders. During 2020, the CEO and CFO attended:

- 20 scheduled meetings with UK-based investors (including two group presentations);
- c. 15 scheduled meetings with Israel-based investors; and
- hosted an investor conference in Israel that was attended by c. 15 investors and viewed online by a further 20 investors.

The Chairman of the Board attended the Annual General Meeting. There were no meetings between the Non-executive Directors and the Company's shareholders during 2020.

As of 31 December 2020, to the best of the Company's knowledge, the following persons or entities had a significant holding of BATM ordinary shares:

- Dr. Zvi Marom, the Company's CEO and founder – 21.98%
- Lombard Odier Investment Managers – 27.22%

Corporate Governance Report *CONTINUED*

- Herald Investment Management – 4.28%
- Hargreaves Lansdown – 3.34%

CULTURE AND CONFLICTS

The Board also works to ensure that within the Group there exists a culture that is free from discrimination and harassment in any form. As noted above, the Board enhanced its efforts to monitor and develop workplace culture with the appointment of a Non-executive Director, Prof. Varda Shalev, as 'Voice of the workforce' in the boardroom. The Board ensures that the Company complies with Israeli legislation known as the Israeli Equal Rights for People with Disabilities Law, 57481988 to ensure that appropriate consideration is given to employees with disabilities. The Company is also in full compliance with Israeli legislation known as the Employment (Equal Opportunities) Law, 5758-1998, which requires an employer not to discriminate amongst employees on account of sex, sexual tendencies, personal status and any other forms of discrimination.

Throughout 2020, the Company complied with procedures in place for ensuring that the Board's powers to authorise conflict situations operated effectively and this has also been considered at a committee level where appropriate. During 2020, no conflicts arose that required the Board to exercise authority or discretion in relation to such conflicts.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting ("AGM") was held on Thursday 17 December 2020. In light of the COVID-19 pandemic and related public health guidance and legislation, the AGM was held as a virtual meeting with shareholders voting by proxy in advance. The results of voting were published via the Regulatory News Service and on the Company's website at www.batm.com. The Chairman, CEO and CFO attended the AGM and a facility was made available for shareholders to submit questions in advance of the meeting to be answered orally during the meeting.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company, as a company with a Premium Listing and therefore subject to Listing Rule 9.8.6R, is subject to the provisions of the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council ("FRC"), a copy of which is available from the FRC's website at https://www.frc.org.uk. The Board considers that, during 2020, the Company complied with the provisions set out in the Code with the exception of the matters referred to below.

Provision	Exception and explanation
5 Engagement with the workforce via a director appointed from the workforce, a formal workforce advisory panel or a designated non-executive director.	During 2020, the Group took into consideration methods for complying with this provision, which resulted, in February 2021, with Prof. Varda Shalev being designated as the Non-executive Director responsible for workforce engagement, with properly constituted terms of reference being established for this role.
14 The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available.	The Israeli Companies Law, which applies to the Group, sets out and defines the responsibilities and duties of the directors and the CEO. The Group has not adopted a separate formal schedule of responsibilities for the CEO.
18 All directors should be subject to annual re-election.	In accordance with Israeli law, the Group is required to appoint at least two independent non-executive directors (defined as 'external directors' within Israeli law), who must be appointed for a minimum of one three-year term. Mr. Harel Locker, Prof. Ari Shamiss and Prof. Varda Shalev are classified as external directors and cannot be subject to annual re-election (however, the Israeli Companies Law does provide grounds for removing an external director from office). All other members of the Board are subject to annual re-election.
19 The chair should not remain in post beyond nine years from the date of their first appointment to the board.	As of June 2020, Dr. Gideon Chitayat, Chairman, has served on the Board for ten years - six of these as Chairman. Dr. Chitayat was appointed to the Board as Independent Non-Executive Director and the Board continues to consider him as independent in character and judgement, and there are no relationships or circumstances that could affect his judgement. His knowledge of the business and the understanding of its various components, which is built on his experience, combined with his independence of mind, enables a critical review of strategy and operations. In addition, his vast business experience, expertise and knowledge of directing large business organisations within Israel is a valuable resource for the Board and the Group as a whole. As a result, the Board believes that Dr. Chitayat remaining as Chairman is in the best of interests of the Group and of shareholders.
21 A regular externally facilitated Board evaluation.	Externally facilitated Board evaluation is not common practice in the Israeli corporate business environment.. The Group continues to consider methods for implementing this provision.
34 The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board.	In accordance with Israeli law, the Board, when approving the nomination of a new 'external' non-executive director, determines the remuneration to be paid within a set range set forth in the regulations promulgated under the Israeli Companies Law (that is based on the size of the company and the professional qualifications or expertise of the nominee director).

Audit Committee Report

Dear Shareholder,

I am pleased to present the Audit Committee report for 2020. I trust that this report will provide you with an insight into our work, the matters handled and the focus of the Audit Committee's deliberations during the year.

This is my first Audit Committee report as Chairman, having been a member of the committee since joining the Board in November 2018. On 22 December 2020, I took over from Harel Locker, who has ably led the committee since September 2016 and remains a valued member.

MEMBERSHIP AND ATTENDANCE

The members of the Audit Committee are:

- Prof. Ari Shamiss (Chairman), Non-Executive Director
- Harel Locker, Senior Independent (Non-Executive) Director
- Prof. Varda Shalev, Non-Executive Director

The Audit Committee members are independent Non-Executive Directors of the Company, with diverse skills and financial and/or related business experience gained in senior positions in a range of organisations relevant to the sectors in which BATM operates. The Board is satisfied that Prof. Shamiss, as Chairman, has recent and relevant financial experience.

The Audit Committee meets at least twice a year, and always prior to the announcement of interim or annual results. The external auditors, internal auditor and Chief Financial Officer are invited to attend all meetings in order to ensure that all the information required by the Audit Committee is available for it to operate effectively and the Audit Committee reports back to the Board. The external auditor communicates with the members of the Audit Committee during the year, without executive officers present. The Audit Committee also meets with representatives of the Company's external auditors at least twice per year and raises on a regular basis any issues it has with the review and/or audit carried out by the external auditors and comments on specific issues it believes the auditors should be focusing on.

The Company Secretary is secretary to the Audit Committee.

During the year, there were three meetings of the Audit Committee, which were attended by all members except for the absence of Mr. Locker from one meeting.

GOVERNANCE AND COMPLIANCE

The Audit Committee adheres to the functions and requirements prescribed to it by the Israeli Companies Law and Israeli Regulations as well as to the specific Terms of Reference adopted by the Board for this committee and takes account of the relevant provisions of the FCA's Disclosure Guidance and Transparency Rules and the Code. The Chairman of the Audit Committee maintains close contact on a regular basis with the key people involved in the Company's governance.

RESPONSIBILITIES AND ACTIVITIES

The Audit Committee's terms of reference include, among other things, monitoring the scope and results of the external audit, the review of interim and annual results, the involvement of the external auditors in those processes, review of whistleblowing procedures, considering compliance with legal requirements, accounting standards and the Listing Rules of the Financial Conduct Authority, and for advising the Board on the requirement to maintain an effective system of internal controls. The Committee also keeps under review the independence and objectivity of the Group's external auditors, value for money of the audit and the nature, extent and cost-effectiveness of the non-audit services provided by the auditors. Pursuant to section 117 (6) of the Israeli Companies Law, the Audit Committee is responsible to fix procedures and policy for whistleblowing and to oversee these procedures.

In 2020, the Audit Committee's activities included:

- Examining the Annual Report for the year to 31 December 2019 and the Half-year Report for the six months to 30 June 2020 and discussing them with management and the external auditor to assess whether the reports, taken as a whole, were fair, balanced and understandable prior to recommending these to the Board for approval.

- Reviewing and challenging areas of significant risk and judgement and the level of disclosure.
- Challenging the assumptions and analysis produced by management in relation to the Company's going concern basis of preparation, the long-term viability statement and associated risk assumptions, the accounting policies and disclosures, the financial reporting issues and the assumptions and adjustments made.
- Reviewing the findings of the internal audit work and the follow-ups of reviews done in the previous year and considering the internal audit work plan for the following year.
- Reviewing the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements.
- Reviewing any material issues of fraud, whistleblowing and litigation.

INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Risk management is currently reviewed on an ongoing basis by the Board as a whole. The Company has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place from 2011 and up to the date of approval of the Annual Report and Financial Statements. Principal controls are managed by the Executive Directors and key employees, including regular review by management and the Board of the operations and the financial statements of the Company.

The Board has overall responsibility for ensuring that the Company maintains adequate systems of internal control and for determining the nature and extent of principal risks. The Board confirms that they have carried out during 2020 a robust assessment of such risks accordingly, including those that would impact the Company's business model, future performance, solvency or liquidity, and have considered how they are to be mitigated (as an example, one of the potential risks examined during the year under review was an internal auditor's report on the Company's ability to perform and recover in an IT disaster or similar occurrence in its computer systems). To this end, in accordance with the Israeli Companies Law, the Company has appointed and retains the services of an independent qualified internal auditor. Each year, the Audit Committee reviews with the internal auditor potential risks and a proposed plan for their scope of work. Each year the Audit Committee usually selects at least two areas of the Company's operations on which it requests the internal auditor to focus and prepare an internal audit report with recommendations. Following the completion of each report, the internal auditor sends it to all the Directors and presents their findings to the Audit Committee. The Audit Committee then reports to the Board on any major findings together with the internal auditor's recommendations for improving controls and corporate responsibility and the Board instructs management to implement the recommendations. During the year under review, the internal auditor presented a report to the Audit Committee on the Group's IT disaster recovery programme.

The key features of the financial controls of the Company include a comprehensive system of financial reporting, budgeting and forecasting, and clearly laid down accounting policies and procedures. The main elements of internal control currently include:

- Operating Controls: The identification and mitigation of major business risks on a daily basis is the responsibility of the Executive Directors and senior management. Each business function within the Group maintains controls and procedures, as directed by senior management, appropriate to its own business environment while conforming to the Company's standards and guidelines. These include procedures and guidelines to identify, evaluate the likelihood of and mitigate all types of risks on an ongoing basis.
- Information and Communication: The Group operating procedures include a comprehensive system for reporting financial and non-financial information to the Directors. Financial projections, including revenue and profit forecasts, are reported on a monthly basis to senior management compared with corresponding results for previous periods. The central process for evaluating and managing non-financial risk is monthly meetings of business functions, each involving at least one Director, together with periodic meetings of Executive Directors and senior management.
- Finance Management: The finance department operates within policies approved by the Directors and the Chief Financial Officer. Expenditures are tightly controlled with stringent approvals required based on amount. Duties such as legal, finance, sales and operations are also strictly segregated to minimise risk.
- Insurance: Insurance coverage is provided externally and depends on the scale of the risk in question and the availability of coverage in the external market.

EXTERNAL AUDITOR AND INDEPENDENCE

Brightman Almagor Zohar and Co., Certified Public Accountants, a Firm in the Deloitte Global Network, serves as the Company's auditor. The Audit Committee as well as the Directors review and assess on an annual basis, the performance of the external auditors, their independence, reasonableness of their audit fees as compared with peer tier 1 accountancy offices in Israel and make recommendations to be brought forward to the shareholders' meeting as to the appointment, or reappointment, or replacement of the external auditors of the Group. While the Audit Committee as part of its activity reviews and monitors the external auditor's independence and objectivity, there is no requirement under Israeli law and regulations and it is not common market practice in Israel to have maximum terms for auditors. Rotation of external auditors is not accepted practice in the Israeli market and the Company is not subject to EU audit regulations that relate to rotation of the external auditors. However, to facilitate auditor independence, based on the IESBA Code, the audit engagement partner must be rotated after no more than seven years of service in that role. The most recent audit partner rotation occurred in 2018. In addition, the Audit Committee has discussed with the external auditors their independence, and has received and reviewed written disclosures from the external auditors regarding independence.

NON-AUDIT SERVICES

Non-audit work is generally put out to tender. In cases which are significant, the Company engages another independent firm of accountants to provide consulting work to avoid the possibility that the external auditors' objectivity and independence could be compromised; work is only carried out by the external auditors in cases where they are best suited to perform the work, for example, tax compliance. However, from time to time, the Company will engage the external auditors on matters relating to acquisition accounting and due diligence (the scope of which is very limited), thus ensuring the continued objectivity and independence of the external auditors.

In order to safeguard the independence and objectivity of the external auditor, the Audit Committee reviews the nature and extent of the non-audit services supplied, receiving reports on the balance of audit to non-audit fees. For 2020, the external auditor provided $19K of non-audit work (2019: $20K). Fees paid to Brightman Almagor Zohar and Co. are set out in note 9 to the financial statements.

Prof. Ari Shamiss
Audit Committee Chairman
18 April 2021

Directors' Remuneration Report

REMUNERATION COMMITTEE REPORT

Dear Shareholder

The Board is pleased to present the Remuneration Committee's Report for the year ended 31 December 2020. This is my first Remuneration Committee Report as Chairman, having been a member of the Committee since joining the Board in November 2018, after taking over from Prof. Ari Shamiss on 22 December 2020.

The main purpose of the Remuneration Committee is to design appropriate remuneration packages to attract, retain and motivate senior executives and managers of the experience and expertise required to run the Company successfully. The Remuneration Committee reviews and considers the remuneration of, amongst others, the CEO, CFO, executive and non-executive directors and other individuals determined by the Board to be material to the Company's current and future prospects.

The Remuneration Committee must ensure that a remuneration framework is established and implemented that addresses the need of the Company to attract, retain and motivate such individuals, while considering and managing business risks and ensuring the Company's remuneration policy facilitates, so far as possible, the Company's long-term strategy and performance and ensures its sustainable financial health.

The Remuneration Committee remains focused on ensuring that the overall remuneration strategy adopted by the Company remains aligned with the interests of its shareholders. The Remuneration Committee, when necessary, engages external executive remuneration advisers to give it guidance regarding the accepted levels of salary, bonuses and LTIs payable by similar sized companies listed on the London Stock Exchange to its CEO, CFO and other senior executives and ensures that the level of remuneration offered to its senior executives is both fair and reasonable.

INTRODUCTION

The Directors' Remuneration Report sets out BATM Advanced Communication's executive remuneration policy and details Directors' remuneration and benefits for the financial year under review. The Company is incorporated in Israel, and the Company's current Remuneration Policy and Guidelines ("Remuneration Policy") came into effect after its approval by a majority vote of shareholders, prescribed in section 267A (b) of the Israeli Companies Law, 1999 ("Companies Law") at the Annual General Meeting ("AGM") held in October 2017. The Companies Law requires that the Remuneration Policy must be presented to the shareholders for approval at least once every three years. During 2020, the Company began, in concert with UK independent remuneration consultants, the preparation of a new remuneration policy for the Company, which it hopes will be more aligned with current UK recognised incentive schemes and structure. However, due to COVID-19 restrictions, the process took longer than initially anticipated. Accordingly, in order to abide by the provisions of the Companies Law, the Board requested, and received, approval of the shareholders at the AGM in 2020 to extend the term of the current policy until the AGM in 2021, by which time the Company expects to bring to the shareholders for their approval a new Remuneration Policy.

In preparing the Remuneration Policy for approval, the Company has engaged external experienced consultants in the area of executive remuneration packages both in Israel and London to provide independent and objective advice to assist the Company in its endeavours. The Company will also consult with its largest shareholders in advance to ensure that shareholder views are taken into account. In addition, the policy will be prepared with due consideration for the factors set out in Provision 40 of the UK Corporate Governance Code (the "Code").

While the Company is not subject to the Companies Act 2006 or the amendments introduced in relation to the preparation and approval of directors' remuneration policies and reports for listed companies, the Company complies with the Code and believes that the Company's remuneration strategy would comply with the requirements of the Code and of the Companies Act 2006 and related legislation.

The Reporting Regulations (International Auditing Reporting Standards) also require the auditors to report to the Company's members in the financial statements within this report and to state whether in their opinion that part of the report has been properly prepared. The report is therefore divided into separate sections for audited and unaudited information.

REMUNERATION COMMITTEE RESPONSIBILITIES AND DUTIES

The Remuneration Committee works within its terms of reference, and in accordance with the functions set forth in the Companies Law, to make recommendations to the Board of Directors of the Company. The Remuneration Committee's full terms of reference are available on the Company's website.

The Remuneration Committee's responsibilities and duties are:

(1) Recommending for approval to the Board the framework or broad policy for the remuneration of the Company's Chairman of the Board, CEO, Executive Directors and other senior management and officers – ensuring that total pay and long-term remuneration will be sufficient to retain executives who perform.

(2) Recommending appropriate remuneration packages and service contracts of the senior executives, and reviewing the ongoing appropriateness and relevance of the Remuneration Policy – ensuring that individual pay levels for Executive Directors are generally in line with levels of pay for executives in similar companies with similar performance achievement and responsibilities.

(3) Recommending and determining the goals for all performance-related remuneration offered by the Company and approving the total annual payments made under such schemes.

(4) Reviewing the design of all long-term incentive schemes, such as options and equity awards and recommending these for approval by the Board and, if and when required by law, by the shareholders.

(5) Ensuring that share option and bonus schemes are set at a level that provides sufficient incentive to the executive to produce results that will reflect and exceed the Board's expectations, and be appropriately balanced alongside fixed-level and more immediate remuneration.

(6) Ensuring that aggregate pay for all Executive Directors is reasonable in light of the Company's size and performance and is compatible with the Company's risk policies and systems.

MEMBERSHIP

The Remuneration Committee consists of the three Non-executive Directors (excluding the Chairman of the Board). The members of the Remuneration Committee during the year under review, and up to the signing of these financial statements, were:

- Prof. Varda Shalev (Chairman)
- Harel Locker
- Prof. Ari Shamiss

None of the Committee members have any personal financial interests, conflicts of interests arising from cross-directorships or day-to-day involvement in the running of the business. None of the Directors plays a part in any determination of their own remuneration.

INFORMATION AND SUPPORT

The Remuneration Committee receives advice from several sources, namely:

- The Chairman of the Board, who attends the Remuneration Committee meetings by invitation only, and the Company's Chief Financial Officer, who attends when specifically invited by the chairman of the Committee in order to provide relevant information to the Committee.
- As and when the Committee deems it necessary, the Committee consults with independent consultants on executive benefits.

During the year, the Remuneration Committee received advice from the Chairman of the Board, who attended by invitation, from the Company Secretary, who attends meetings as Secretary to the Committee, and from the remuneration consultants who are advising the Company on the preparation of the new remuneration policy.

KEY REMUNERATION ACTIVITIES DURING THE YEAR

During the year under review, the Remuneration Committee met once and all members were in attendance. The Committee's main activities during the year included:

- Agreeing performance against targets for the 2019 annual bonus awards
- Setting targets for the 2020 annual bonus
- Considering levels of remuneration for Executive Directors following advice from the remuneration consultant advising on the preparation of the new remuneration policy

The Group made tremendous progress during 2020, both in its financial performance and achieving a number of operational milestones that significantly advanced the execution on its strategy. Dr Zvi Marom, CEO, and Mr. Moti Nagar, CFO, were instrumental in achieving this success (as discussed further on page 45), but it is also thanks to the efforts of the employee base as a whole and our ability to attract and retain the right staff. We continue to believe that our Remuneration Policy and practices are appropriate for incentivising and rewarding our employees and our Directors, and are in the best interests of the Group as a whole.

STAKEHOLDER VIEWS & ENGAGEMENT

As noted above, the current Remuneration Policy was approved by shareholders in October 2017 and its term was extended by the approval of the shareholders at the AGM held on 17 December 2020 until the next AGM. The Company is currently working in concert with a leading London based firm of executive compensation consultants in preparing a new Remuneration Policy that will be more aligned with UK corporate executive compensation practice and intends to consult with its largest shareholders before presenting the new policy to the Board of Directors, to ensure that shareholder views are taken into account. While the Committee does not consult directly with employees on the director's Remuneration Policy, it does take into consideration salary increases and remuneration arrangements across the Group when determining payments for the Executive Directors.

I am pleased to report that, at the Company's AGM held on 17 December 2020, the shareholders approved (as detailed in the table below) the Remuneration Committee report for 2019, together with the auditor's reports on the auditable part of that report; the extension of the Remuneration Policy to the AGM in 2021; and the award of an annual bonus to Mr. Moti Nagar, CFO, in relation to his performance in 2019 (which was put to shareholders for approval in accordance with Israeli law).

On behalf of the Committee, I thank shareholders for their support and look forward to receiving further support at this year's Annual General Meeting.

Prof. Varda Shalev
Remuneration Committee Chairman
18 April 2021

REMUNERATION POLICY REPORT

The philosophy and principles of the Company's Remuneration Policy (the "Policy") are detailed below (unaudited). This Remuneration Policy was brought for approval to the Annual General Meeting of the shareholders in October 2017 and was approved by a large majority at that meeting and extended for an additional term until the next AGM in 2021 by shareholders at the 2020 AGM held on 17 December 2020.

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the remuneration report	263,228,503	96	10,293,669	4	273,522,172	0
Approval of the extension of the current Remuneration Policy	147,276,210	90	17,100,278	10	173,568,672*	9,192,184
Approval of the CFO annual bonus	266,479,847	97	7,040,629	3	273,522,172	1,696

*** In accordance with Israeli law, shareholders defined as a 'controlling shareholder' or as having a 'personal interest' were ineligible to vote for this resolution**

Directors' Remuneration Report *CONTINUED*

REMUNERATION PHILOSOPHY AND OBJECTIVES

The Company believes that the most effective executive remuneration policy is one that is designed to reward achievement, to encourage a high degree of performance and that aligns executives' interests with those of the Company and its shareholders while ensuring that the Company can maintain its ability to attract and retain for the long-term leading employees for key positions. The remuneration philosophy of the Company is to offer executives remuneration that is comprised of a mix of fixed annual salary and variable performance-based bonuses and/or long-term equity incentives.

The Company has established the following main remuneration objectives for the Company's executives:

(1) Remuneration should be related to performance on both a short-term and long-term basis with a portion of a senior executive's potential annual bonus and long-term equity-based remuneration conditional on achievement of pre-determined performance objectives.

(2) The mix of the fixed and performance-based variable remuneration should serve to encourage senior executives to remain with the Company. The Policy's components are designed to retain talented executives. A significant element of the Policy is therefore long-term equity-based incentive remuneration rewards that vest on a rolling basis over several years. As part of the retention objective, the Company believes that remuneration should include a meaningful share option component to further align the interests of the senior executives with the interests of the shareholders.

(3) Remuneration should be reasonable for the business of the Company, its location, industry and its long-term, multiyear approach to achieving sustainable growth.

(4) Remuneration should be designed to encourage initiative innovation and appropriate levels of risk. It should be structured to discourage taking excessive short-term risk without constraining reasonable risk taking. Therefore a portion of the incentive variable remuneration should be linked to longer-term Company performance.

(5) The Policy should ensure transparency and accountability and encourage a high-performing culture in the Company.

REMUNERATION PRINCIPLES

The remuneration of senior executives and officers of the Company shall consist of all, or part, of the following:

(i) **fixed remuneration – salary** (including pensions and fixed social benefits on a level consistent with peer companies and only if these are mandatory or commonly accepted in the relevant employment market) that is commensurate with the individual executive's skills, experience, education, qualifications and responsibilities. The fixed annual salary, benefits and pension will be set at a broadly mid-market level (including with reference to the country in which an executive principally works), and reviewed annually taking account of individual responsibilities and performance. The Remuneration Committee will ensure that the underlying principles, which form the basis for determining executives' salaries are consistent with those on which salary decisions for the rest of the workforce in the Company are taken. In addition, before making a recommendation the Remuneration Committee takes into account the general salary increase for the broader employee population when conducting the salary review for the senior executives. The Remuneration Committee also takes into account the ratio between the total remuneration of the applicable director and/or senior executive and the salary of all other employees in the Company, especially the ratio between the total remuneration and the median and average salary of all such other employees in the Company - this analysis and ratio will be calculated on a per Division basis and on a per country basis so as to ensure that the comparison is made on the same underlying parameters; and

(ii) **variable remuneration**, which can comprise a mix of:

- Annual bonuses; and
- Long Term (equity-based) Incentives (hereinafter – "LTIs") (share options only).

The Board of Directors determines the ceilings for payment of the fixed remuneration and variable remuneration, so that they are reasonable and appropriate. The targeted ratio between the fixed salary remuneration and the variable elements of remuneration that the Company may offer executives shall be as per the table below.

The annual salary for the Chairman, CEO and senior executives shall not exceed the following maximum thresholds:

(a) Non-Executive Chairman: $120,000*

(b) CEO: $520,000

(c) Other senior executives: $300,000

* This amount is based on a 30% part time position of the Chairman

The total remuneration of senior executives and directors is reviewed annually, taking into account the above considerations and focusing on the relevant person's contribution and performance as well as the performance of the Company and its financial status.

In addition to the above, at each such review the Remuneration Committee may, at its discretion, approve immaterial changes to all or part of the remuneration package of a senior executive or officer of up to three salaries (including the amount of the fixed benefits payable on such salaries) as a reward for his/her special contribution to the Company in the previous year. With respect to an immaterial change in the remuneration of the CEO that is recommended by the Remuneration Committee, such recommendation will also require the approval of the Board of Directors of the Company. All instances in which the Remuneration Committee has used its discretionary powers to award such a bonus (as, for example, to reward an executive for his/her special efforts in closing a merger or acquisition for the Company) will be fully disclosed by the Company in the relevant annual report.

MEASUREMENT CRITERIA FOR AWARDS OF ANNUAL BONUS

The level of the cash payment bonus paid to any executive director, senior executive or officer (excluding non-executive independent directors), will be established to link rewards with the Company's annual business goals, based on quantifiable measurements and targets set out at the start of the financial year by the Remuneration Committee. The criteria on which the annual bonus is based shall be calculated, as follows:

(i) **Consolidated/Division financial measures:** adjusted EBIDTA, measured against the targets of the annual budget as approved by the Board of Directors for the relevant year; and

(ii) **Personal & operational performance measures:** The criteria shall be determined individually when such personal criteria are set. A list of personal qualitative goals will be determined by the Remuneration Committee on a case-by-case basis.

The weight of the corporate/division financial measures and personal operational performance measures for considering a bonus award, shall be as per the table at the top of the following page.

The financial measures are based on defined quantitative criteria, whereas the personal and operational measures are based on qualitative criteria. If less than 70% of the financial measures has been achieved, then no part from the Consolidated/Division financial annual bonus may be paid; if however between 70% - 100% of the financial measures have been achieved, then the relevant executive or senior officer will be eligible to receive a pro rata portion of the Consolidated/Division financial annual bonus as determined

	Non-Executive Chairman	CEO	Senior Executives
Annual Salary or the equivalent thereof	100%	100%	100%
Other fixed benefits*	30%-40%	30%-40%	30%-40%
Annual Bonus**	None	up to 75%	up to 50%
LTIs (per vesting annum)	None	up to 125%	up to 100%

The percentages above reflect ratios compared with the annual fixed salary and are the maximum rewards that the Company may pay to the relevant executives. The amount of LTIs will be calculated on a linear basis over the period of vesting.

* "Other fixed benefits" are comprised of mandatory pension scheme required by Israeli labour laws and regulations (6.5% from base salary), and may also include Further Education Funds, use of company car, use of mobile phone and newspaper, all as commonly given in Israel in peer companies. The Company only pays pension on the executives' basic salary (and not on the variable remuneration).

** Non-Executive Independent Directors (including External Directors) are not eligible for annual bonuses.

Directors' Remuneration Report *CONTINUED*

	CEO	CFO	Division Heads
Consolidated financial measures:	75%-100%	60%-80%	20%-40%
Division financial measures:	–	–	40%-60%
Personal & operational performance: (non-financial performance criteria)	up to 25%	20%-40%	up to 20%

by the Remuneration Committee. Annual bonuses may be withheld in whole or in part if the business has suffered an exceptional negative event, even if some specific targets have been met. The Remuneration Committee has overall discretion to ensure that a payment that is inappropriate in all the Company's circumstances is not made.

The maximum aggregate bonus shall be as set forth in the above table, per executive level.

If there was a mistake in calculation of the annual bonus by the Company, or if the Company restates any of the financial data that was used in calculating the bonus (other than a restatement required due to changes in financial reporting standards), then the applicable bonus shall be recalculated using such restated data (the "Restated Bonus"). The balance between the original bonus and the Restated Bonus, if any, (the "Balance") will be repaid to the Company, or paid to the executive (as the case may be) by deducting or adding such Balance from the first amounts payable to such senior executive as a bonus immediately after the completion of the restatement. To the extent that no bonus will be payable to such senior executive in that year, then the Balance shall be deducted from the bonus payable in the next year and so forth up to three years. Notwithstanding the above, if the senior executive's employment relationship with the Company terminates before the Balance is fully repaid to the Company, then the Balance shall be deducted from all amounts due and payable to such senior executive in connection with such termination of employment and if there is still an unpaid balance to the Company, then such unpaid balance shall be repaid pursuant to the terms determined by the Board of Directors.

In the event of termination of employment of an executive during the calendar year (except under circumstances justifying the non-payment of Severance Pay pursuant to Israeli labour law and precedent of the Labour Courts), the amount of the bonus shall be calculated and adjusted for the entire year in accordance with the provisions of this Policy and thereafter shall be prorated in accordance with the actual days of employment of the executive by the Company during the applicable year and paid to the eligible executive in full together with the first salary that will be paid following the approval by the Board of Directors of the financial statements for such applicable year.

LONG-TERM INCENTIVES

The Company's long-term incentive package for the CEO and other senior executives is designed to support the Company's strategy by incentivising the delivery of growth, increase in profitability, superior shareholder returns and sustained financial performance. Long-term incentives may be granted by the Board of Directors through the issue of options under the Company's Employee Share Option Plan ("ESOP"). The Company believes that this mechanism is the preferred long-term incentive package, as the Company already has in place ESOPs that have been approved by the relevant Tax Authorities in Israel and this kind of LTI scheme is more commonly used and understood by high-level executives in the Israeli market. The Group does not issue share awards under its LTI scheme.

Any award of long-term incentives by the Remuneration Committee and the Board of Directors will be made in order to reward the senior executives for future performance and building additional value for the shareholders (thus increasing the price of the share) and to foster a long-term relationship between the executive and the Company.

(1) The vesting of any LTIs (options) granted by the Board to a senior executive shall be over time in order to retain the senior executive in the Company and to incentivise the executive to increase the value of the Company.

(2) Any LTI (options) granted by the Company to a senior

executive will vest over a three-year period* as follows: 12 months after the Board approval – 0%; 24 months after the Board Approval – 50%; and 36 months after the Board Approval – 50%, provided that the senior executive remains an employee or in the service of the Company on each date of exercising the LTIs. If the Company terminates the employment or services contract of an executive who was awarded options within the first half of the year from the Board approval, the eligible executive shall not be entitled to exercise the options granted, unless the termination by the Company was unjustified; if the Company terminates the employment or services contract of an executive who was awarded options within the second half of the year from the Board approval, the Board of Directors will determine whether to allow the eligible executive to exercise the amount of options which vested immediately prior to the termination date. Any executive that resigns from their position in the Company shall forfeit their right to exercise any non-vested LTIs.

(3) In exceptional circumstances and/or cases of a restatement of any of the Company's financial statements, the Remuneration Committee has the discretion to reduce future rewards of LTIs to the relevant senior executive.

(4) The Company's long-term incentive schemes, as applicable to directors and senior executives, provides that commitments to issue BATM shares must not exceed (in aggregate across all schemes) 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10-year period.

(5) The maximum levels of variable remuneration and benefits that the Company may grant to the CEO and other senior executives in the Company are as set forth above in the table on page 39.

(6) The exercise price of LTIs is based on the average price of the Company's shares on the London Stock Exchange over the 30 days preceding the award approval. The Company does not issue nil-cost options.

* The vesting period for share options is over a three-year term, which is what is customary and recognised in Israeli industry and changing this to a longer vesting period would adversely affect the Group's ability to compete in recruiting experienced and highly skilled managers and executives. This vesting period (as part of the Remuneration Policy) is brought for approval by an independent vote of the shareholders.

CEO SERVICE AGREEMENT

Following is a brief summary of the main terms & conditions of the CEO's Service Contract, which was approved by shareholders in June 2018 for a period of three years, between the Company and the service management company owned by the CEO, Dr. Zvi Marom (Nostradamus or the "Service Management Company"):

Remuneration ("Service Fee") – base salary of approximately $382,000 (precise reported amount dependent on currency) plus all relevant social benefits and taxes on this amount.

Annual Bonus: shall be payable by BATM to the Service Management company in the event that the BATM Group achieves the adjusted EBITDA for each year which is set in the annual budget (work plan) approved by the Board at the beginning of that year (hereinafter– the "Base adjusted EBITDA") and subject to the following:

(a) The adjusted EBITDA for the relevant year is more than $4.3 million.

(b) For each increase in the actual adjusted EBITDA for the relevant year of 10% as compared with the Base adjusted EBITDA, the Service Management Company shall be entitled to a bonus of 1 month's Service Fee up to a ceiling of nine monthly Service Fees (should the actual adjusted EBITDA for the relevant year be 90% or more of the Base adjusted EBITDA). Two out of the nine monthly Service Fees, if payable, will be based on personal performance criteria of the CEO as reviewed by the Board.

Long-Term Incentives:
The CEO was granted, in June 2018, four million options to purchase BATM ordinary shares. The options are exercisable at a price of 26.95 pence per share, being the average price of the Company's shares on the London Stock Exchange in the month preceding the shareholders' approval of this transaction. Half of the options vested at the end of 24 months from the grant date and the other half at the end of 36 months from the grant date, provided that Dr. Marom remains in his position at the Company as of the date of each vesting and that the Group has achieved a gross profit of at least $33 million for the previous calendar year in which the vesting date falls.

REMUNERATION TO NON-EXECUTIVE INDEPENDENT DIRECTORS ("NEDS")

As an Israeli publicly listed company, BATM's Board must include at all times, at least two external (public) independent non-executive directors that fulfill the mandatory requirements and hold the qualifications laid down in the Israeli Companies Law. Such directors may receive cash remuneration that includes an annual fixed fee and a per-meeting participation fee as well as equity-based compensation, all as prescribed in the Israeli

Companies Regulations ((Rules Regarding Compensation and Expense Reimbursement of External Directors) 2000 (the "Compensation Regulations")), as an incentive for their contribution and efforts for the Company. In addition, the Company may reimburse said directors for their reasonable expenses incurred in connection with attending meetings of the Board of Directors and of any Committees of the Board, all in accordance with the Compensation Regulations. The Company's remuneration policy with respect to NEDS is that it offers each of them the relevant scale of annual fixed fee and "per-meeting" participation fee specified in the Compensation Regulations that apply to the Company.

NEDs are not eligible to participate in the variable remuneration plans offered by the Company to its executives and officers.

NEDs are also not entitled to notice periods of termination as their position under the Israeli Companies Law is set for a defined term of three years following their appointment by the shareholders' meeting. Their office may only be terminated for cause in special circumstances by the Company's shareholders' meeting or by the competent court at the request of a director or shareholder.

LINK TO STRATEGY

The Board believes that the Remuneration Policy and practices of BATM support the strategy by enabling the Group to recruit and retain executive directors and senior managers of the calibre to deliver its strategy. The criteria set for the annual bonus are also designed to support the achievement of the Group's strategic objectives while LTIPs incentivise the delivery of long-term financial return through the implementation of sustainable strategic growth. The Chairman's fee supports the recruitment and retention of a director of a calibre to lead an effective board and contribute to the Group's long-term success. (Please see above regarding NED fees.)

EXTERNAL APPOINTMENTS FOR EXECUTIVE DIRECTORS OF THE COMPANY

The Company does not prohibit its executive directors from being appointed as non-executive directors in other companies, provided that such appointment will not create a conflict of interest between their position in the Company and their external appointment. In each such instances, the Company's executive director may retain the remuneration paid to them by the other company. The Company provides a full disclosure on each such instance in its Remuneration Report contained in the Company's Annual Report.

RETIREMENT AND TERMINATION OF EMPLOYMENT OR SERVICES ARRANGEMENTS

As part of the incentives under this Remuneration Policy, the Company is permitted to approve retirement benefits and termination arrangements in its employment and services contracts in order to attract and retain highly skilled professional executive officers. The retirement and termination arrangements may include one or more of the following, as may be approved by the Remuneration Committee and the Board (unless the termination is in circumstances that negate the payment of severance pay pursuant to applicable law):

- Advance Notice of Termination: (i) shall not exceed up to six monthly base salaries for the CEO; and (ii) shall not exceed up to four monthly base salaries for other senior executives (provided, however, that any current employment or services contracts in effect with senior executives which contain an Advance Notice of more than six months shall continue in effect until the relevant contract expires).

- Adjusted Payments: A senior executive may be entitled to adjustment payments as follows: (i) up to a maximum of six months for the CEO; and (ii) up to a maximum of four months for other senior executives, provided that any overlap between the Advance Notice period during which the senior executive is not working will be accounted for the purpose of calculating the total adjustment payment and deducted therefrom. The adjustment payments will be based on the employment term of each senior executive with the Company.

  The level of adjusted payments to be offered to specific executives will be discussed by the Remuneration Committee that will provide its recommendations to the Board, after considering the following:

  - The executive is committed to work in the Company for at least two years.

- Throughout their term of employment they have made a significant contribution to advancing the Company's business.
- The executive is not leaving the Company under circumstances justifying the non-payment of severance pay (as recognised under Israeli labour law and precedent) and upon termination of employment they will sign a release in favour of the Company against all claims.
- The recommendation of the CEO (or the Chairman in the case of the termination of employment of the CEO) as to the level of severance payment.
- The Company's performance throughout the period of their employment by the Company.
- If the executive resigns from the Company during the calendar year for which they would have been entitled to an annual bonus, the Remuneration Committee has the discretion to decide whether and to what extent that executive should be eligible to receive the bonus (whether in part, in full, or not at all).

Recruitment policy

The Remuneration Committee will take into consideration a number of factors, including the current pay for other executive directors, external market forces, skills and current level of pay at previous employer in determining the pay on recruitment.

In terms of additional benefits, the Committee will offer a package that is set in line with this Remuneration Policy and the mandatory pension scheme levels in the Israeli market.

Annual bonus and LTIs will be set in line with this Remuneration Policy.

Buy-Out awards: where an individual forfeits outstanding variable opportunities or contractual rights at a previous employer as a result of their recruitment by the Company, the Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances of recruitment, determined on a case-by-case basis. Where appropriate, the Committee may choose to apply performance conditions to any of these awards.

ANNUAL REPORT ON REMUNERATION

In determining the remuneration to its Non-executive Directors (who, other than the Chairman, as regarded as "external directors" under Israeli law), the Group is required to comply with Israeli law that formulates the kind and amounts of remuneration and expenses that an Israeli public company may pay to its non-executive directors. The applicable Israeli statute is the Israeli Companies Regulations (Rules Regarding Compensation and Expense Reimbursement of External Directors) 2000 (the "Compensation Regulations"), which prescribes the level of remuneration that a publicly listed company may pay to its external directors. Cash remuneration payable to the external director is comprised of two fees: (i) an annual fixed fee; and (ii) a per-meeting participation fee. The figures set forth in the Compensation Regulations for these elements are based on the size of the company calculated by the shareholders' equity of the relevant listed company as recorded in its last audited financial statements. BATM is in the highest level of companies under these Compensation Regulations and, accordingly, the amounts payable to the three external directors currently in office (who are considered as directors holding expertise qualifications under the Compensation Regulations) for 2020 were as follows:

- An annual fixed fee of NIS 147,095 (c. £33,492).
- A per-meeting participation fee of NIS 5,655 (c. £1,288).
- For any teleconference meeting that the external director participates in – 60% of the above fee.
- For signing a written resolution of a board meeting, without a physical meeting having been held - 50% of the above fee.

The Company complies fully with the Compensation Regulations and does not pay any additional amounts to the three non-executive directors. The Compensation Regulations do not apply to the Chairman who is not considered an "external director" in terms of Israeli Law but is considered an independent director and his remuneration is set out below.

Directors' Remuneration Report CONTINUED

Audited information

The table of Directors' remuneration is set out below.

Table A – Emoluments of the Directors with comparatives

2020	Salary/Fees $'000	Performance Bonus $'000	2020 Total $'000
Executive Directors			
Zvi Marom, CEO (1)	547	410(*)	957
Moti Nagar, CFO (2)	297	149(**)	446
Non-executive Directors			
Gideon Chitayat	56	–	56
Harel Locker	53	–	53
Ari Shamiss	60	–	60
Varda Shalev	62	–	62

2019	Salary/Fees $'000	Performance Bonus $'000	2019 Total $'000
Executive Directors			
Zvi Marom, CEO (1)	503	150	653
Moti Nagar, CFO (2)	287	120	407
Non-executive Directors			
Gideon Chitayat	56	–	56
Harel Locker	53	–	53
Ari Shamiss	57	–	57
Varda Shalev	57	–	57

(1) The CEO, Dr. Zvi Marom, receives payment via a Service Agreement, which includes a basic annual salary and associated social and pension benefits according to his employment agreement. His service fee (which is paid in New Israeli Shekels) in 2020 and 2019 was the same, with the variation in the exact amounts when presented in reporting currency (US$) being based on currency exchange.

(2) The CFO salary is paid in New Israeli Shekels: the difference in the reported salary (in US$) between 2020 and 2019 is due to currency fluctuation – the underlying salary remained the same. In 2020 and 2019, the salary includes social and pension benefits as required by Israeli law for all employees.

(*) The bonus criteria for the CEO was approved by the shareholders at the EGM held on 6 June 2018 and the award of his bonus for 2020 received approval by the Board of Directors on 21 February 2021.

(**) The CFO bonus for 2020 is subject to approval by shareholders at the next AGM.

As at 31 December 2020, the total liability for payment related to wages for the Executive Directors was $73,000 (31 December 2019: $51,000), which was paid in January 2021 (2019 liability was paid in January 2020).

2020 annual bonus

The maximum annual bonus for Dr. Zvi Marom and Mr. Moti Nagar for 2020 was 75% of annual service fee and 50% of annual salary respectively. The annual bonus is based on a mix of quantitative financial criteria and qualitative personal and operational criteria as described below.

Dr. Zvi Marom, CEO

Financial criteria (75%-100% of total bonus)

	2020 EBITDA target	% of this part of the bonus payable on achieving that target	2020 actual EBITDA
Target	$4.3m	11.11%	$19.7m
Maximum	$8.2m	100%	

Personal criteria (up to 25% of total bonus)

Target	Delivery
Strategic advancement of both divisions	• Substantial expansion of molecular diagnostics customer base with the rapid launch of multiple new tests, primarily related to COVID-19 • Secured first tier 1 customer for NFV operating system

The CEO, Dr. Marom, met the financial and personal criteria set for him for 2020, entitling him to the maximum bonus award.

Mr. Moti Nagar, CFO

Financial criteria (60%-80% of total bonus)

	2020 target	% of this part of the bonus payable on achieving that target	2020 actual
EBITDA	$7.4m	70%	$19.7m
Cash from operating activities	>$3.5m	30%	$18.5m

Personal criteria (20-40% of total bonus)

Target	Delivery
Implementation of new ERP system in the US	• Successful implementation of SAP Business One in Telco Systems
Restructuring of the BATM subsidiaries to prepare for future growth	• Reorganisation of the Company structure from a tax point of view

In addition to these factors, the Board took into consideration the extraordinary service provided by the CFO in 2020 to support the Company's heightened activity relating to the COVID-19 pandemic.

The CFO, Mr. Nagar, met the financial and personal criteria set for him for 2020, entitling him to the maximum bonus award. In accordance with Israeli law, Mr. Nagar's bonus remains subject to shareholder approval.

Directors' Remuneration Report *CONTINUED*

Share options
No options were granted to, or exercised by, the Directors during the year.

Details of Executive Director options held, granted, exercised or lapsed during the year are as follows:

	As at 1 Jan 2020	Granted	Exercised	Lapsed	As at 31 Dec 2020	Exercise price(*)	Expiry date
Zvi Marom	4,000,000	-	-	-	4,000,000	0.2695	5 June 2028
Moti Nagar	906,200	-	-	-	906,200	0.1269	4 May 2025

(*) The exercise price per share calculated by the average price of the Company's shares on the London Stock Exchange during the month preceding the Board approval of the option grant.

Directors' shareholdings
While the Company does not require any Director to hold shares in the Company, the interests of the Directors and their immediate families, both beneficial and non-beneficial, in the ordinary shares of the Company as at 31 December 2020 and 2019 were as follows:

	2020 Ordinary Shares	2019 Ordinary Shares
Executive Directors		
Zvi Marom	96,794,500	96,794,500
Moti Nagar	–	–
Non-executive Directors		
Gideon Chitayat	3,159,000	3,159,000
Harel Locker	–	–
Ari Shamiss	–	–
Varda Shalev	–	–

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021

Salaries
During 2021 up to the publication of these financial statements, Dr. Marom's service fee (which includes salary, pension and benefits) and Mr. Nagar's base salary were unchanged from 2020. As noted, the Company will be publishing its new remuneration policy and seeking approval from shareholders at the next AGM in 2021, the provisions of which may differ from the existing policy.

Pension and benefits
As above, Dr. Marom's service fee (which includes pension and benefits) is currently unchanged from 2020. Mr. Nagar's pension is determined by Israeli law, with the amount currently unchanged from 2020.

Annual bonus
The criteria for the annual bonus for 2021 will be determined by the new remuneration policy that BATM will put forward for approval by shareholders at the next AGM.

The bonus targets are deemed to be commercially sensitive and have not been disclosed prospectively. The performance targets set and actual performance against those targets will be provided on a retrospective basis in next year's Directors' Remuneration Report.

Non-Executive Director fees
The fees for the Chairman are currently unchanged in 2021. In accordance with Israeli law, the remuneration to be paid to "external" Non-Executive Directors is within a set range set forth in the Regulations promulgated under the Israeli Companies Law (that is based on the size of the company and the professional qualifications or expertise of the director). As at the date of this report, the fees are unchanged in 2021 and remain as disclosed on page 43.

INFORMATION NOT SUBJECT TO AUDIT

As a company registered in Israel, BATM is not subject to the requirements of the UK Companies Act 2006. Accordingly, the Company makes the following disclosures voluntarily.

Ratio of CEO pay to average full-time employee pay
The ratio of CEO pay to average full-time employee pay during 2020 was 26:1 (2019: 20:1). The details of CEO pay can be found on page 44. Average full-time employee pay, including employees being paid under service contracts, in 2020 was $36,638 (2019: $32,861). (In accordance with IFRS, note 11 to the financial statements – 'Staff costs' – does not include employees paid under service contract: this payment is reflected within general & administrative, research & development and sales & marketing expenses and cost of goods. Employees who have chosen to work for BATM under a service agreement have the same rights and obligations as any other employee, such as the same notice period.).

Percentage change in pay
The table below shows the percentage change between 2019 and 2020 in the value of salary and annual bonus (on an actual currency basis) for the Directors compared with the average full-time employee (including those on service contracts) of the Company.

	Salary/Fees	Performance Bonus
Executive Directors		
Zvi Marom	0%	173%
Moti Nagar	0%	24%*
Non-executive Directors		
Gideon Chitayat	0%	–
Harel Locker	0%	–
Ari Shamiss**	5.3%	–
Varda Shalev**	8.8%	–
Employees		
Average FTE***	4%	69%

* The CFO bonus for 2020 is subject to approval by shareholders at the next AGM.

** Prof. Shamiss and Prof. Shalev joined more meetings during 2020 compared with 2019: there was no change in their annual fee or per-meeting fee.

*** Excluding Executive Directors

Relative importance of spend on pay
The table below shows overall spend on employee (including employees on service contracts and the Executive Directors) across the Group compared with distributions to shareholders.

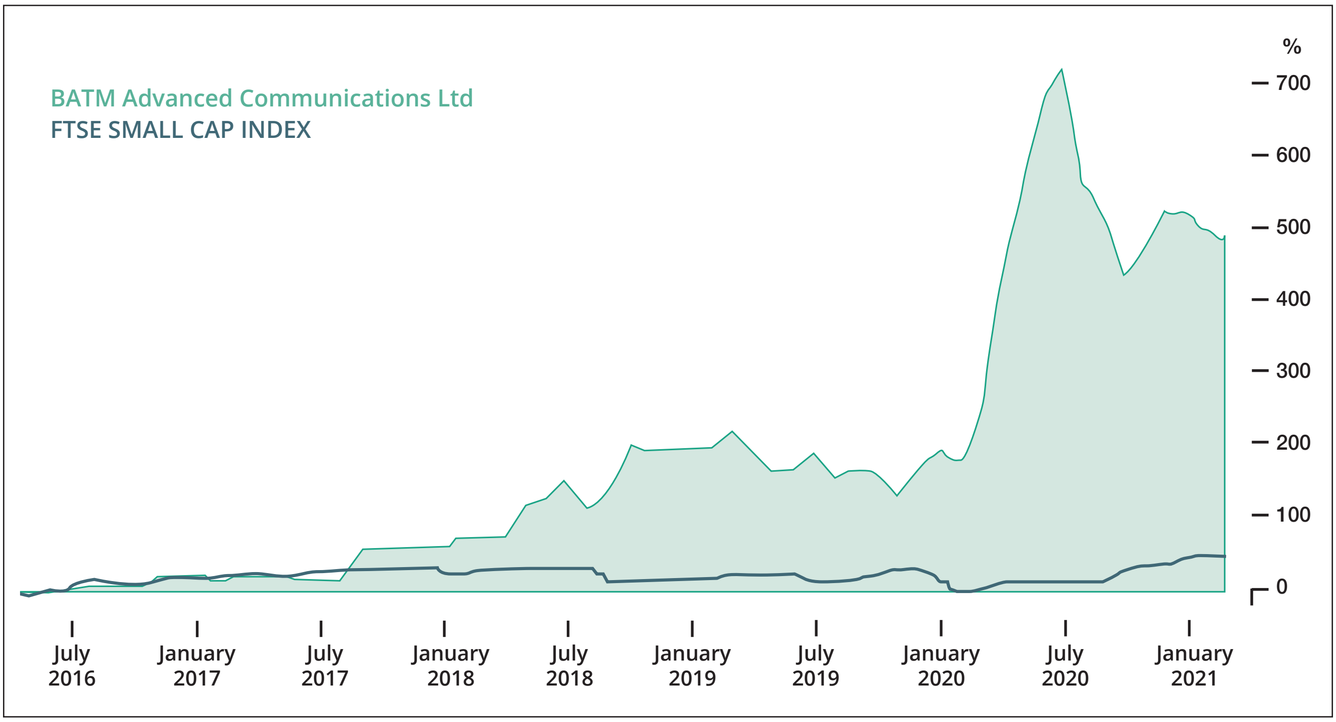
	2020 ($m)	2019 ($m)	% change
Employee remuneration costs	39.9	35.5	12.5
Distribution to shareholders	–	–	–

Notice periods
No employee has a notice period of more than 12 months. The notice period for the Directors (excluding "external" directors) is up to six months. The external Non-Executive Directors are not entitled to notice periods as their position under the Israeli Companies Law is set for a defined term of three years following their appointment by the shareholders' meeting. Their office may only be terminated for cause in special circumstances by the Company's shareholders' meeting or by the competent court at the request of a director or shareholder.

Directors' Remuneration Report CONTINUED

Total shareholder return

The following graph shows BATM's share price performance on the London Stock Exchange over the last five years compared with the FTSE SmallCap Index, which has been chosen because it includes companies of a broadly comparable size to BATM. The Group has not declared a dividend over the last five financial years. Under Israeli law, a company may only declare a dividend if it has generated accrued profit over the previous two years, provided that there is no concern that the distribution will prevent the company from meeting its current and future undertakings when they become due. As noted above, the Board has resolved to recommend a dividend for the year ended 31 December 2020. In accordance with Israeli law, a dividend can only be recommended by the Board after the publication of audited annual accounts and shall be payable only after the same has been approved by ordinary resolution of the General Meeting. Accordingly, the Group will provide shareholders with further details in due course.



Directors' Report

PRINCIPAL ACTIVITIES

BATM is focused on the development, production and marketing of real-time technologies focusing on two main application areas: Networking & Cyber and Bio-Medical. Networking & Cyber includes products and services related to carrier ethernet, NFV and cyber network monitoring for large area networks. Bio-Medical includes medical diagnostic solutions, bio-waste treatment and sterilisation, and distribution of third party medical equipment and supplies. BATM has offices in North America, Israel and Europe.

FINANCIAL STATEMENTS

The Directors present their report together with the audited financial statements for the year ended 31 December 2020. The results of the year are set out in the consolidated statements of profit or loss. After reporting a $0.7 million amortisation of intangible assets for the year, BATM recorded a net profit of $11.5 million.

DIVIDENDS

The Board has resolved to recommend the distribution of a dividend for the year ended 31 December 2020 following the publication of the audited annual report and accounts, in accordance with Israeli law, and which shall be payable only after the same has been approved by ordinary resolution at a General Meeting. The Board looks forward to providing shareholders with further details in due course.

BUSINESS AND STRATEGIC REVIEW

The review of the Group's business operations, including strategic framework, key performance indicators and principal risks and uncertainties, are set out in the Strategic Report section on pages 2 to 23 together with this Directors' Report.

DIRECTORS

The Directors who served for the year ended 31 December 2020 and are currently serving are as follows:

- Dr. Gideon Chitayat, Non-Executive Chairman
- Dr. Zvi Marom, Executive Director and Chief Executive Officer
- Moti Nagar, CPA, Executive Director and Chief Financial Officer
- Harel Locker, Non-Executive External Director and Senior Independent Director (SID)
- Prof. Ari Shamiss, Non-Executive External Director
- Prof. Varda Shalev, Non-Executive External Director

CORPORATE GOVERNANCE STATEMENT

The information that fulfils the requirement of the corporate governance statement in accordance with Rule 7.2 of the Financial Conduct Authority's Disclosure and Transparency Rules can be found in this Directors' Report and in the Corporate Governance information on pages 24 to 51 which is incorporated into the Directors' Report by reference.

DIRECTORS' REMUNERATION AND INTERESTS

The Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 35 to 48.

RULES ABOUT APPOINTMENT AND REPLACEMENT OF DIRECTORS

Pursuant to the Company's articles of association and Israeli Companies Law, directors are elected at the Annual General Meeting by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy and voting on the election of directors. Appointments to the Board are subject to a formal, rigorous and transparent procedure after the Company's Nomination Committee has considered each nominee and the Company gives full and transparent information and background to the shareholders on each candidate that it wishes to propose for election and/or re-election to the Board. Each director (except for the public external appointed directors) shall serve until the next Annual General Meeting following the Annual General Meeting at which such director was appointed, or their earlier removal. The holders of a majority of the voting power represented at a General Meeting and voting thereon shall be entitled to remove any director(s) from office, to elect directors in place of the directors so removed or to fill any vacancy, however created, in the Board of directors by way of ordinary resolution. Non-executive public "external" directors, as defined by Israeli Company Law, are appointed and elected for a mandatory term of three years, which is renewable for no more than two further terms of three years each. The appointment of the external directors must be approved by the shareholders in general meeting. The Israeli Companies Law defines the procedures and conditions for re-election of external non-executive directors at the end of each three-year term, which are mandatory for the Company.

Apart from the authority of the General Meeting to remove a director from office, subject to giving such director a reasonable opportunity to present their position to the General Meeting, under the Company's articles, the office of a director shall be vacated ipso facto, upon their death, or if the director is found to be of unsound mind, or becomes bankrupt or if they become prohibited by law from being a director in a public company.

The two Executive Directors, being the CEO, Dr. Zvi Marom, and the CFO, Mr. Moti Nagar, as well as the Chairman of the Board, Dr. Gideon Chitayat, were re-elected at the Annual General Meeting of 17 December 2020 until the following AGM and will be proposed for re-election at the Annual General Meeting of 2021. Their biographies appear on page 24 above.

AMENDMENT OF ARTICLES

Under the Israeli Companies Law, a company may amend its articles by a simple majority of the shareholders at a General Meeting. Any proposed amendments to the articles regarding modification of rights attached to shares of the Company and/or dividing the share capital into various classes of shares requires the approval of the holders of 75% of the issued shares in the Company.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable laws and regulations. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). Israeli company law requires the Directors to prepare and approve such financial statements.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a true and fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make an assessment of the Company's ability to continue as a going concern and disclose where they consider it appropriate; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report that comply with the Listing Rules and the Disclosure and Transparency rules.

Legislation in Israel governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms to the best of his or her knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

3. the annual report and financial statements, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Directors' Report has been brought for review to the Board and has been approved in its present form. The Directors' Report is signed on behalf of the Board by:

Dr. Gideon Chitayat
Chairman
18 April 2021

BATM

Consolidated Financial Statements for the year ended 31 December 2020

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Independent Auditor's Report to the Shareholders of BATM Advanced Communications Ltd.

Neve Ne'eman Ind. Area
4, Ha'harash Street, P.O.B. 7318
4524075 Hod Hasharon, Israel

Opinion

We have audited the consolidated financial statements of BATM Advanced Communications Ltd. and its subsidiaries ("the Group") set out on pages 57 to 109, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and other intangible assets As detailed in Notes 23 and 24, as at 31 December 2020, the Group had goodwill and other intangible assets of $23,717 thousand. Goodwill and other intangible assets arise as a result of acquisitions by the Group. Management conducted their annual impairment test to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less costs to sell or the value in use is determined and compared to the net book value of cash-generating unit to which the goodwill is allocated and other intangible assets. This determination of an impairment is highly subjective as significant judgement is required by the management in determining the cash-generating units and the fair value less costs to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of valuation and business assumptions, most importantly the discount rate and growth rate.	We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the directors. Our audit procedures included: ▪ Evaluating whether the model used to calculate the fair value less costs to sell and value in use of the individual cash-generating units complies with the requirements of IAS 36: Impairment of Assets. ▪ Using our internal valuation specialists when applicable to assess the appropriateness of management's estimations applied in the discount rates used in the value in use calculations. ▪ Challenging management's assumptions applied and inputs in the respective models by comparing it to historical information, market researches when available, contractual arrangements and approved budgets, search for available contradictory information, including the macroeconomic impacts resulting from the ongoing COVID-19 pandemic. ▪ Performing stress analysis on key estimates. ▪ Performing discussions, when applicable, with key management about new significant clients and markets penetration, new significant contracts and bids, certification status of new products. **Findings** We found the models and assumptions applied in the goodwill impairment assessments to be appropriate. We considered the disclosure of the goodwill and other intangible assets to be appropriate for purposes of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

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Independent Auditor's Report to the Shareholders of BATM Advanced Communications Ltd. *(CONTINUED)*

concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances,

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we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Efrat Binshtok.

Brightman Almagor Zohar and Co., Efrat Binshtok
Certified Public Accountants
A Firm in the Deloitte Global Network
1 Azrieli Center, Tel Aviv
Israel

18 April 2021

Consolidated Statements of Profit or Loss

for the year ended 31 December

	Note	2020 US$'000	2019 US$'000
Revenues	5, 6	183,566	123,396
Cost of revenues	7	122,856	90,251
Gross profit		60,710	33,145
Operating expenses			
Sales and marketing expenses	8	20,197	16,307
General and administrative expenses	9	15,884	11,753
Research and development expenses	10	10,258	6,772
Other operating expenses (income)	12	138	(6,169)
Total operating expenses		46,477	28,663
Operating profit		14,233	4,482
Finance income	13	820	1,612
Finance expenses	14	(1,754)	(1,316)
Profit before tax		13,299	4,778
Income tax expenses	15	(1,043)	(475)
Profit for the year before share of loss of a joint venture and associated companies		**12,256**	**4,303**
Share of loss of a joint venture and associated companies		(774)	(1,033)
Profit for the year		**11,482**	**3,270**
Attributable to:			
Owners of the Company		**9,793**	**3,917**
Non-controlling interests		**1,689**	**(647)**
Profit for the year		**11,482**	**3,270**
Profit per share (in cents) basic	16	**2.22**	**0.93**
Profit per share (in cents) diluted	16	**2.21**	**0.92**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

for the year ended 31 December

	2020 US$'000	2019 US$'000
Profit for the year	11,482	3,270
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	3,148	398
	14,630	3,668
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of investment	(508)	–
Re-measurement of defined benefit obligation	16	(44)
	(492)	(44)
Total comprehensive income for the year	14,138	3,624
Attributable to:		
Owners of the Company	13,560	3,664
Non-controlling interests	578	(40)
	14,138	**3,624**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Financial Position

for the year ended 31 December

	Note	2020 US$'000	2019 US$'000
Assets			
Current assets			
Cash and cash equivalents		50,575	40,584
Trade and other receivables	18	41,467	42,784
Financial assets	17	2,803	4,254
Inventories	19	33,893	22,672
		128,738	110,294
Non-current assets			
Property, plant and equipment	20	16,109	14,203
Investment property	21	1,878	1,899
Right-of-use assets	22	9,607	9,945
Goodwill	23	16,838	16,804
Other intangible assets	24	6,879	6,941
Investment in joint venture and associate	12	13,271	9,497
Investments carried at fair value		1,027	1,013
Deferred tax assets	26	5,759	3,234
		71,368	63,536
Total assets		**200,106**	**173,830**
Equity and liabilities			
Current liabilities			
Short-term bank credit	27	5,365	5,915
Trade and other payables	27	53,618	44,459
Current maturities of lease liabilities	27	2,244	2,070
Tax liabilities		3,046	313
		64,273	52,757
Non-current liabilities			
Long-term bank credit	27	675	762
Long-term liabilities	27	6,416	6,215
Long-term lease liabilities	27	8,440	8,339
Deferred tax liabilities	26	711	626
Retirement benefit obligation	34	828	715
		17,070	16,657
Total liabilities		**81,343**	**69,414**
Equity			
Share capital	28	1,320	1,320
Share premium account		425,686	425,477
Reserves		(14,323)	(18,582)
Accumulated deficit		(290,090)	(299,391)
Equity attributable to the:			
Owners of the Company		122,593	108,824
Non-controlling interests		(3,830)	(4,408)
Total equity		**118,763**	**104,416**
Total equity and liabilities		**200,106**	**173,830**

The financial statements were approved by the board of directors and authorised on 18 April 2021. They were signed on its behalf by:

Dr. Z. Marom, CEO **M. Nagar, CFO**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

for the years ended 31 December 2020 and 2019

	Share Capital	Share Premium Account	Translation Reserve	Other Reserve	Accumulated Deficit	Attributable to owners of the company	Non-Controlling Interests	Total Equity
	US$ in thousands							
Balance as at 1 January 2019	1,217	407,796	(17,861)	(512)	(303,264)	87,376	(4,368)	83,008
Profit (loss) for the year	–	–	–	–	3,917	3,917	(647)	3,270
Re-measurement of defined benefit obligation	–	–	–	–	(44)	(44)	–	(44)
Exchange differences on translating foreign operations	–	–	(209)	–	–	(209)	607	398
Total comprehensive income (loss) for the year	–	–	**(209)**	–	**3,873**	**3,664**	**(40)**	**3,624**
Issue of share capital	93	16,981	–	–	–	17,074	–	17,074
Exercise of share-based options by employees	10	595	–	–	–	605	–	605
Recognition of share-based payments	–	105	–	–	–	105	–	105
Balance as at 1 January 2020	1,320	425,477	(18,070)	(512)	(299,391)	108,824	(4,408)	104,416
Profit for the year	–	–	–	–	9,793	9,793	1,689	11,482
Re-measurement of defined benefit obligation	–	–	–	–	16	16	–	16
Revaluation of investment	–	–	–	–	(508)	(508)	–	(508)
Exchange differences on translating foreign operations	–	–	4,259	–	–	4,259	(1,111)	3,148
Total comprehensive income for the year	–	–	**4,259**	–	**9,301**	**13,560**	**578**	**14,138**
Exercise of share-based options by employees	–	51	–	–	–	51	–	51
Recognition of share-based payments	–	158	–	–	–	158	–	158
Balance as at 31 December 2020	**1,320**	**425,686**	**(13,811)**	**(512)**	**(290,090)**	**122,593**	**(3,830)**	**118,763**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flow

for the year ended 31 December

	Note	2020 US$'000	2019 US$'000
Net cash from operating activities	30	**18,459**	**7,166**
Investing activities			
Interest received		101	205
Proceeds on disposal of property, plant and equipment		39	113
Tax paid on disposal of property, plant and equipment		–	(19)
Proceeds on disposal of deposits		3,122	3,234
Proceeds on disposal of financial assets carried at fair value through profit and loss		761	–
Proceeds on sale of investment		–	3,430
Purchases of property, plant and equipment		(3,386)	(686)
Increase of other intangible assets		(328)	(1,523)
Purchases of financial assets carried at fair value through profit and loss		(2,009)	(760)
Purchases of deposits		(314)	(3,112)
Investment in joint venture		(3,000)	(1,952)
Investment in associated companies	31	(467)	(575)
Acquisition of subsidiaries	31	–	(937)
Net cash used in investing activities		(5,481)	(2,582)
Financing activities			
Lease payment	22	(2,428)	(2,361)
Bank loan repayment	27	(13,852)	(9,922)
Bank loan received	27	12,980	10,086
Proceed on issue of share capital, net		–	17,074
Proceed on exercise of shares		51	605
Net cash from (used in) financing activities		(3,249)	15,482
Net increase in cash and cash equivalents		9,729	20,066
Cash and cash equivalents at the beginning of the year		40,584	20,811
Effects of exchange rate changes on the balance of cash held in foreign currencies		262	(293)
Cash and cash equivalents at the end of the year		**50,575**	**40,584**

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

1. General Information

BATM Advanced Communications Ltd. ("the Company") is a company incorporated in Israel under the Israeli Companies Law. The address of the registered office is POB 7318, Nave Ne'eman Ind. Area 4, Ha'harash Street, 4524075 Hod Hasharon, Israel. The Company and its subsidiaries ("the Group") are engaged in the research and development, production and marketing of data communication products in the field of metropolitan area networks and of bio-medical products, primarily laboratory diagnostics and eco-med equipment. The Bio-Medical division also distributes products of third parties.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended IFRS standards that are effective for the current year

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards that are effective for annual periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.2 New and revised IFRS Standards in issue but not yet effective

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 9 Financial Instruments

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

3 Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identified assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods - Communication products, Bio-Medical products such as laboratory diagnostics and sterilisation eco-med products

- Rendering of services - Software services such as training, technical support and maintenance related to the communication products, mobile & web solutions, UI, UX design, branding, graphical design, drivers & embedded solutions

- Construction contracts

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods
For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rendering of services
The Group provides a service of installation of various software products for specialised business operations.

Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract. The management have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15.

Construction contracts
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised over time by reference to the stage of completion of the contract activity at the date of the consolidated statements of financial position. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs except where this would not be representative of the stage of completion or engineering completion. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Dividend and interest income
Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Leases

The Group as a lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Notes to the Consolidated Financial Statements *(continued)*

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The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in the US dollar, which is the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (operations in foreign currencies) are translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) within the Group's translation reserve. Such translation reserves are reclassified from equity to profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Government grants

Government grants are assistance from government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Forgivable loans are loans where the lender (Israeli Chief Scientist Officer (ISO)) undertakes to waive repayment under certain prescribed conditions. In a case where a government grant takes the form of a forgivable loan, a liability is recognised in regards to this loan at fair value, based on estimations of future cash flows arising from the relevant grant. It is the Group's policy to designate all such loans as financial liabilities measured at amortised cost according to IFRS 9.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants towards research and development costs are netted against related expenses over the periods necessary to match them with the related costs.

Employee benefits

Retirement benefit costs and termination benefits
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

The Group presents the first two components of defined benefit costs in profit or loss in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payments arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share- based transactions are set out in note 33.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share premium reserve.

Taxation

The income 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 profit before tax as reported in the consolidated statement of profit or loss 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the cost model.

Transfers from owner-occupied property to investment property are made when the Company ends owner-occupation.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position on a historical cost basis, being the historical cost at the date of acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	3%-4%
Plant and equipment	10%-33%
Motor Vehicles	15%-20%
Furniture and fittings	6%-15%
Leasehold Improvements	7%-20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Research and development expenditure

Internally-generated intangible assets - research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Customer Relationships and Backlog	10%-12.5%
Technology	14%-20%
Other	10%

Acquired intangible assets

Acquired intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

Inventory

Inventories are stated at the lower of cost and net realisable value. 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 determined on the "first-in-first-out" basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash.

Financial assets and investments

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The majority of financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Equity instruments designated as at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 36.

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the Consolidated Financial Statements *(continued)*

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Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group derecognises a financial asset 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 of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 36.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade and other payables and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the consolidated statements of financial position date, and are discounted to present value where the effect is material.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangible assets and goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows of the CGU and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets and goodwill at the consolidated statement of financial position date was $23.7 million (2019: $23.7 million), see note 23 and note 24.

Judgments with respect to deferred tax assets
For the purposes of measuring deferred tax assets arising from loss carry-forwards in different territories, management's estimation that it will be able to utilise them in the foreseeable future, see note 15.

Judgments with respect to construction contracts
The Company accounts for its revenue in accordance with IFRS 15 revenue from contracts with customers, which requires estimates to be made for contract costs and revenues. Revenue is recognised using the percentage of completion method based on the ratio of contract costs incurred to total estimated contract costs or engineering completion percentage. Estimating total direct labour costs and the engineering status is subjective and requires the use of management's best judgments based on the information available at that time. Total revenues and expenses recognised for the year ended 31 December 2020 amounted to $46,812 thousand and $37,679 thousand, respectively.

Judgments with respect to warranty provision
Warranty provision was made on the basis of management's estimation and on past experience.

5 Revenues

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time and services and construction contracts over time in the following major product lines.

An analysis of the Group's revenues is as follows:

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Sales of goods	101,341	74,387
Services	35,413	34,327
Construction contracts	46,812	14,682
	183,566	**123,396**

6 Business and Geographical Segments

Business segments

Information reported to the chief operating decision maker (CEO of the Company) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of two major operating segments - Networking and Cyber Division and Bio-Medical Division. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows: Networking and Cyber Division mostly includes the research and development, production and marketing of data communication products, such as Network Function Virtualisation ("NFV") in the field of local and wide area networks and premises management systems. Sales for this segment are global. The Bio-Medical Division is engaged in the research and development, production, marketing and distribution of medical products, primarily laboratory diagnostic equipment and sterilisation equipment. Sales for this segment are primarily in Europe.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Adjusted operating profit is the measure reported to the Group Chief executive for the purpose of assessment of the segment performance.

A. Segment revenues and segment results

Year ended 31 December 2020

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues	54,884	128,682	–	183,566
Adjusted operating profit (loss)(*)	(4,479)	19,430	–	14,951
Reconciliation - Other operating expenses				(718)
Operating profit				14,233
Net finance expenses				(934)
Profit before tax				13,299

Year ended 31 December 2019

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues	58,960	64,436	–	123,396
Adjusted operating profit(*)	5,144	132	–	5,276
Reconciliation - Other operating expenses				(794)
Operating profit				4,482
Net finance income				296
Profit before tax				4,778

(*) Excluding amortisation of intangible assets see note 24, including other operating income see note 12

Revenue reported above represents revenue generated from external customers. There were immaterial inter-segment sales in the year.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

B. Segment assets, liabilities and other information

As at 31 December 2020

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	73,830	124,398	1,878	200,106
Liabilities	30,955	50,388	–	81,343
Depreciation and amortisation(*)	2,403	2,984	88	5,475
Additions to non-current assets	925	4,672	–	5,597

As at 31 December 2019

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	88,799	83,132	1,899	173,830
Liabilities	35,540	33,874	–	69,414
Depreciation and amortisation (*)	2,563	2,706	86	5,355
Additions to non-current assets	1,579	1,421	–	3,000

(*) See also note 30

C. Revenue from major products and services

The following is an analysis of the Group's revenue from operations from its major products and services.

Year ended 31 December	2020 $'000s	2019 $'000s
Networking and cyber products	13,552	21,507
Software services	41,332	37,452
Distribution of medical products and services	65,961	52,378
Diagnostic products	22,962	5,535
Eco-Med products	39,759	6,524
	183,566	**123,396**

D. Revenue from major product lines

Year ended 31 December 2020

Revenues	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Sales of goods	13,552	87,789	–	101,341
Services	29,272	6,141	–	35,413
Construction contracts	12,060	34,752	–	46,812
	54,884	**128,682**	–	**183,566**

Year ended 31 December 2019

Revenues	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Sales of goods	18,167	56,220	–	74,387
Services	29,045	5,282	–	34,327
Construction contracts	11,748	2,934	–	14,682
	58,960	**64,436**	–	**123,396**

E. Geographical segments

The Group operates in three principal geographical areas: United States of America (USA), Israel and Europe. The Group's revenue from external customers and information about its segment assets by geographical location are presented by the location of operations and are detailed below:

$'000s	Revenue from external customers		Non-current assets	
	2020	**2019**	**2020**	**2019**
Area A	126,791	59,595	36,276	29,802
Area B	47,671	53,035	23,621	24,511
Area C	9,104	10,766	4,685	4,976
Total	**183,566**	**123,396**	**64,582**	**59,289**

7 Cost of revenues

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Direct costs- Components and subcontractors	110,244	69,852
Changes in inventory	(8,599)	(703)
Salaries and related benefits	16,666	16,565
Overhead and depreciation	3,030	3,055
Other expenses	1,515	1,482
	122,856	**90,251**

Notes to the Consolidated Financial Statements *(continued)*

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8 Sales and marketing expenses

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Salaries and related benefits	10,870	9,484
Commissions	4,289	1,084
Outside services	435	586
Advertising and sales promotion	867	1,096
Overhead and depreciation	2,149	2,036
Travelling and other expenses	1,587	2,021
	20,197	**16,307**

9 General and administrative expenses

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Salaries and related benefits	6,148	4,722
Professional services(*)	4,888	3,340
Overhead and depreciation	1,300	1,289
Other expenses	3,548	2,402
	15,884	**11,753**
(*) Including auditors' remuneration for audit services	**281**	**295**

Amounts payable to Deloitte by the Company and its subsidiaries' undertakings in respect of non-audit services in 2020 were $19,000 (2019: $20,000). In addition, payables in respect of non-audit services to others than the Company's auditors, for tax and internal audit services in 2020, were $18,000 and $11,000, respectively (2019: $8,000 and $23,000, respectively).

10 Research and development expenses

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Salaries and related benefits	3,882	2,916
Components and subcontractors	4,930	3,089
Overhead and depreciation	938	1,082
Other expenses	617	533
Government grants	(109)	(848)
	10,258	**6,772**

11 Staff costs

The average monthly number of employees in 2020 (including executive directors) was 1,196 (2019: 1,138).

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Their aggregate remuneration comprised:		
Wages and salaries	31,733	28,227
Social security costs	4,242	4,153
Other pension costs	1,591	1,307
	37,566	**33,687**

12 Other operating expenses (income)

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Gain on reduce of holdings in associated company(1)	(602)	(3,161)
Gain on sale of investment(2)	–	(3,380)
Amortisation of intangible assets	304	372
Other	436	–
	138	**(6,169)**

(1) On 4 April 2019, the Group signed an agreement for an investment of up to $30m to provide additional funds for the commercialisation of NATlab. The majority of this investment - up to $25m - is to be provided by leading medical investors from the US and Puma Brandenburg Investments Ltd. The investment is being made in two tranches into a new company that owns 100% of Ador. An initial $14.5m was funded in April 2019 and a further $15.5m was expected by the end of 2020, subject to certain milestones being achieved. Following the initial investment, the new company had a valuation of $45m and BATM had an ownership interest of 38.2%. During 2020 the Group and all its partners in Ador have invested an additional amount of $10m, of which BATM has contributed $3m, pursuant to an amendment to the investment agreement. Following this additional investment, the Group's shareholding in Ador is 36.7%.

(2) On 31 July 2019, the Group and its consortium partners signed an agreement with Cellcom Israel Ltd to sell their rights in IBC Holdings. BATM received NIS12m ($3.4m) for its rights in IBC.

13 Finance income

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Interest on bank deposits	94	200
Gain on derivative financial instruments	223	–
Gain on marketable securities	81	113
Foreign exchange differences, net	–	564
Other interest income	422	735
	820	**1,612**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

14 Finance expenses

	Year ended 31 December	
	2020 **$'000s**	**2019** **$'000s**
Loss on derivative financial instruments	–	(245)
Foreign exchange differences, net	(684)	–
Interest on loans and bank fees	(768)	(802)
Interest on lease liabilities	(302)	(269)
	(1,754)	**(1,316)**

15 Income tax expenses

	Year ended 31 December	
	2020 **$'000s**	**2019** **$'000s**
Current tax	(3,352)	(652)
Tax on previous years	(2)	(19)
Deferred tax (note 26)	2,311	196
	(1,043)	**(475)**

Taxation under various laws:

Israel

The Company is an "industrial company" as defined in the Israeli Law for the Encouragement of Industry (Taxes) 1969.

a. The corporate income tax rate for the years 2019 and 2020 is 23%
b. Encouragement of Capital Investments Law:

    a. The corporate tax rate for each company with Preferred Enterprise status for the years 2019 and 2020 is 7.5%.
    b. Including additional tax tracks for Preferred Technological Enterprise (tax rate of 7.5% in Area "A" and tax rate of 12% in Area "Other") and for special Preferred Technological Enterprise (tax rate of 6%).
    c. Determining relieves of the threshold conditions to enter the track of "Special Preferred Enterprise" relevant for huge companies entitle (tax rates of 5% in Area "A" or 8% in the Area "Other").

The Company has Preferred Enterprise status in area A and its Israeli subsidiaries are being assessed according to the corporate income tax rate.

During 2013, approval was received from the tax authorities in Israel regarding the merger for tax purposes of the subsidiary Vigilant with the Company. As of 31 December 2020, the balance of non utilisation losses from the merger is $18.0m.

The Company and its Israeli subsidiaries have tax loss carry-forwards of $109.9 million and the Group did not create deferred tax assets in respect of any of these losses. According to the Israeli law there is no expiry date to use such losses.

The Company tax assessments for the years up to and including the 2015 tax year are considered as final.

The United States of America

Telco Systems incurred losses for tax purposes. In addition, in accordance with U.S. tax law, Telco Systems elected to amortise a substantial part of the excess cost paid by the Company in its acquisition over a period of 15 years. This has resulted in tax loss carry-forwards which may expire before having been utilised. Accordingly, the future use of part of this benefit is uncertain. Other US subsidiaries are assessed for tax purposes on a consolidated basis with Telco Systems. Deferred tax assets of $3.1 million have been recognised in respect of such losses. The amount of carry-forward losses is $279.9 million. According to US law, losses created until 2017 can be carried forward for 20 years. Accordingly, the first portion of the tax losses in the US subsidiary, amounting to $29.7m, will expire in 2021.

On 22 December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act contains significant changes to federal corporate taxes, including a permanent reduction of the corporate tax rate from 35% to 21% effective 1 January 2018. The reduction in the federal corporate tax rate required a one-time revaluation of certain tax-related assets and liabilities. As a result of the revaluation of its deferred tax assets and liabilities at 31 December 2017, the Company recorded a one-time tax expense of approximately $1.0 million. In addition, based on the Act only 80 percent of taxable income created from 1 January 2018 may be used to offset future income.

Other jurisdictions

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group has tax loss carry-forwards of $17.8 million in European subsidiaries and the Group did not recognise deferred tax assets in respect of $6.9 million of such losses. $0.1 million tax loss carry-forwards out of the $6.9 million above according to the tax law in the territory these losses related to will expire during the years 2021-2024. The corporate income tax rate in Moldova is 12% and in Italy is 24%.

The income tax expenses for the year can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Profit before tax:	**13,299**	**4,778**
Tax expense at the Israeli corporate income tax rate of 23%	3,059	1,099
Tax losses utilised in current period which no deferred tax assets have been recognised in prior periods	(166)	(869)
Recognition of deferred tax assets	(4,072)	(203)
Write-off of deferred tax assets	1,818	7
Tax on previous years	2	19
Other including tax rate differences	402	422
Tax expenses for the year	**1,043**	**475**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

16 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December	
	2020	**2019**
Earnings for the purposes of basic and diluted earnings per share ($'000s) attributable to Owners of the Company	**9,793**	**3,917**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	440,291,783	421,141,507
Effect of dilutive potential ordinary shares:		
Share options	3,763,448	3,955,104
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**444,055,231**	**425,096,611**

The number of Share Options that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the year is 400,000 (2019: 450,000).

17 Financial assets

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Interest-bearing deposits	157	2,964
Financial assets at FVTPL	2,646	1,290
	2,803	**4,254**

The average interest rate of deposits is 0.25% and 1.99% in 2020 and 2019 respectively.

18 Trade and other receivables

	31 December	
Trade and other receivables	**2020 $'000s**	**2019 $'000s**
Trade receivable account	24,889	29,218
Participation in research and development: Government of Israel	1,101	1,094
VAT authorities	1,273	845
Tax authorities	126	336
Construction contracts (see table below)	5,790	4,909
Prepaid expenses	6,468	4,892
Other debtors	1,820	1,490
	41,467	**42,784**

Construction contracts	31 December	
	2020 $'000s	**2019 $'000s**
Composition:		
Cumulative costs incurred due to works construction contracts	15,019	11,617
In addition - Recognised profits	1,023	3,992
Less accounts submitted to project customers	(10,252)	(10,700)
	5,790	**4,909**

The average credit period taken on sales of goods is 54 days (2019: 66 days). No interest is charged on the receivables. An allowance has been made at 31 December 2020 for estimated irrecoverable amounts from the sale of goods of $3,556 thousand, (2019: $2,396 thousand) including a loss allowance for expected credit losses according to IFRS 9. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

As of 31 December 2020, trade receivable account includes amounts of $6.1 million, which maturity date has expired (including a receivable in the amount of $1.0 million that is overdue for more than a year), but the Group, based on past experience and on the credit quality of the debtors, and since most of the debts have been collected until the date of the annual report release, has not made an allowance for doubtful debts since the Company expects that those debts are to be collectible.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statements of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

19 Inventories

	31 December	
	2020 $'000s	**2019 $'000s**
Raw materials	7,166	4,544
Work-in-progress	3,353	2,917
Finished goods	23,374	15,211
	33,893	**22,672**

During 2020, $1.2 million of slow moving inventory was impaired, and expensed to the Profit and Loss account (2019: $0.3 million).

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20 Property, plant and equipment

($'000s)	Land and buildings(*)	Plant and equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
Cost						
At 1 January 2019	8,520	16,343	1,934	4,233	2,487	33,517
Additions	10	860	82	81	23	1,056
Disposals	(20)	(268)	(102)	(247)	–	(637)
Effect of translation adjustment	27	53	6	14	8	108
Acquisition of subsidiaries	1,198	100	62	100	19	1,479
At 31 December 2019	9,735	17,088	1,982	4,181	2,537	35,523
Additions	29	2,352	419	351	334	3,485
Disposals	–	(271)	(323)	(35)	–	(629)
Effect of translation adjustment	445	565	5	25	121	1,161
At 31 December 2020	**10,209**	**19,734**	**2,083**	**4,522**	**2,992**	**39,540**
Accumulated depreciation						
At 1 January 2019	1,967	11,531	957	3,943	1,043	19,441
Depreciation expense	354	744	344	188	231	1,861
Disposals	(1)	(108)	(66)	(218)	–	(393)
Effect of translation adjustment	19	112	9	38	10	188
Acquisition of subsidiaries	53	73	41	56	–	223
At 31 December 2019	2,392	12,352	1,285	4,007	1,284	21,320
Depreciation expense	295	1,002	247	191	290	2,025
Disposals	–	(154)	(248)	(34)	–	(436)
Effect of translation adjustment	211	260	3	7	41	522
At 31 December 2020	**2,898**	**13,460**	**1,287**	**4,171**	**1,615**	**23,431**
Carrying amount						
At 31 December 2020	**7,311**	**6,274**	**796**	**351**	**1,377**	**16,109**
At 31 December 2019	**7,343**	**4,736**	**697**	**174**	**1,253**	**14,203**

(*) see note 21

21 Investment property

	2020 $'000s	2019 $'000s
At 1 January	1,899	2,004
Depreciation expense	(88)	(86)
Exchange rate differences	67	(19)
At 31 December	**1,878**	**1,899**

– The useful lives used: between 27-33 years.

Amounts recognised in the consolidated statements of profit or loss

	31 December	
	2020 $'000s	**2019 $'000s**
Rental income from investment property	171	206
Operating expenses related to income from investment property	(154)	(201)
Operating expenses related to investment property which produced no income	(34)	(11)

Additional Information

Fair value disclosures for investment properties measured using the cost model
Details of the Group's freehold land and buildings and information about the fair value hierarchy as at year end are as follows:

	31 December 2020		31 December 2019	
	At amortised cost $'000s	**Fair value $'000s**	**At amortised cost $'000s**	**Fair value $'000s**
USA	1,099	1,804	1,156	1,547
Italy	779	1,341	743	1,227

The fair value in Italy and the USA was determined based on the market comparable approach that reflects recent transaction prices for similar properties, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

Average market price, taking into account the differences in location and individual factors, such as frontage and size, between the comparables and the property, was $1,276 per square metre for the property in Italy and $149 per square foot for the property in the USA.

Notes to the Consolidated Financial Statements *(continued)*

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22 Leases (Group as a lessee)

Right-of-use assets

($'000s)	Buildings	Motor vehicles	Total
Cost			
At 1 January 2019	10,778	1,004	11,782
Additions	94	187	281
Disposals	–	(71)	(71)
Effect of translation adjustment	337	43	380
At 31 December 2019	11,209	1,163	12,372
Additions	1,301	481	1,782
Disposals	–	(213)	(213)
Effect of translation adjustment	330	62	392
At 31 December 2020	**12,840**	**1,493**	**14,333**
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	1,923	537	2,460
Disposals	–	(43)	(43)
Effect of translation adjustment	7	3	10
At 31 December 2019	1,930	497	2,427
Charge for the year	1,950	466	2,416
Disposals	–	(214)	(214)
Effect of translation adjustment	58	39	97
At 31 December 2020	**3,938**	**788**	**4,726**
Carrying amount			
At 31 December 2020	**8,902**	**705**	**9,607**
At 31 December 2019	**9,279**	**666**	**9,945**

The Group leases several assets including buildings and motor vehicles. The average lease term of buildings and motor vehicles from the implementation date, 1 January 2019, is 7.7 and 2.5 years, accordingly.

The maturity analysis of lease liabilities is presented in note 27.

Amounts recognised in profit and loss

	2020 $'000s	2019 $'000s
Depreciation expense on right-of-use assets	2,416	2,460
Interest expense on lease liabilities	302	269
Expense relating to short-term leases	466	279

At 31 December 2020, the Group is committed to $0.3 million for short-term leases (2019: $0.2 million). The total cash outflow for leases amount to $2,428 thousand (2019: $2,361 thousand).

23 Goodwill

The Group tests annually goodwill for impairment or more frequently if there are indications that goodwill might be impaired. The Group has two reportable business segments and goodwill is associated with CGUs within the Bio-Medical segment or CGUs within the Networking and Cyber segment. The goodwill regarding Bio-Medical at the amount of $9,478 thousand (2019: $9,819 thousand) has been divided into 5 CGUs: Eco-Med, Diagnostic, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution. The goodwill regarding Networking and Cyber segment at the amount of $7,360 thousand (2019: $6,985 thousand) has been divided into 2 CGUs: Telecommunications and Software services.

The goodwill is allocated to the following CGUs:

Eco-Med: $2,550 thousand (2019: $2,550 thousand)

Diagnostic: $1,173 thousand (2019: $1,577 thousand)

Distribution: $1,137 thousand (2019: $1,146 thousand)

Distributor and provider of genetics tests: $1,038 thousand (2019: $966 thousand)

Analytical instruments distribution: $3,580 thousand (2019: $3,580 thousand)

Telecommunications: $1,984 thousand (2019: $1,984 thousand)

Software services: $5,376 thousand (2019: $5,001 thousand)

The recoverable amounts of the CGUs are determined from value in use calculations except of the Diagnostic CGU and Software services CGU. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Pre-tax discount rates of between 8.9% - 15.1% have been used. Changes in selling prices and direct costs are based on recent history and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budget approved by management and extrapolates indefinite cash flows based on estimated growth rates. For the purposes of this calculation management have used revenue growth rates of 38%,92%,32%,49%,55% for years 1-5 respectively, and then 1% thereafter, for the Telecommunications CGU and (75)% for year 1 and 10% for years 2-5, and then 1% thereafter for the Eco-Med CGU and

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0% for year 1 and 10% for years 2-5, and then 1% thereafter for the Distribution CGU and 24% for year 1 and 15% for years 2-5, and then 1% thereafter for the Distributor and provider of genetics tests CGU and (3)% for year 1 and 9% for years 2-5, and then 1% thereafter for the Analytical instruments distribution CGU.

The average fixed expenses have been assumed to grow at 41%, 134%, 43%, 12%, 26% for years 1-5 respectively, and then 3% thereafter in the Telecommunications CGU and (24)%, 5%, 4%, 5%, 5% for years 1-5 respectively, and then have been assumed to remain constant thereafter for Eco-Med, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution CGUs. The average variable expenses (directly linked to sales) have been assumed to grow at 33%, 61%, (6)%, 22%, 33% for years 1-5 respectively, and then 1% thereafter for the Telecommunications CGU, and (25)%, 8%, 10%, 10%, 10% for years 1-5 respectively, and then 1% thereafter for the Eco-Med, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution CGUs. The rates used above reflect historical rates achieved and expected levels for 2021 but then are adjusted for subsequent years.

The recoverable amount of the diagnostics unit is determined based on the conditional agreement and according to it no impairment was required (see also note 12(1)). The recoverable amount of the Software services unit is determined based on option agreement and according to it no impairment was required (see also note 38).

Sensitivity of the recoverable amount to changes in the key assumptions

The recoverable amount of the Analytical instruments distribution activity is higher than the carrying amount in the amount of $4.3 million. Reduction of 5% growth rate taken into account in calculating the value in use of the activity will result in a decrease of $4.1 million recoverable amount of the activity and no goodwill impairment will be recorded. Decrease in growth rate as stated will lead to changes in other assumptions used in the calculation of value in use. Increase of 9% in pre-tax discount rate taken into account in calculating the value in use of the activity will result in a decrease of $4.3 million recoverable amount of the activity and no goodwill impairment will be recorded.

	2020 $'000s	**2019 $'000s**
Balance at 1 January	16,804	16,343
Additions in the year (*)	-	58
Disposal in the year	(504)	(10)
Foreign exchange difference	538	413
Balance at 31 December	**16,838**	**16,804**

(*) see note 31.

24 Other intangible assets

	Customer Relationships and Backlog $'000s	Technology $'000s	Other $'000s	Total $'000s
Cost				
At 1 January 2019	16,011	15,917	2,939	34,867
Additions (*)	522	1,083	–	1,605
Disposals	(263)	–	–	(263)
Effect of translation adjustments	150	180	(245)	85
At 31 December 2019	16,420	17,180	2,694	36,294
Additions (*)	–	328	–	328
Disposals	–	–	–	–
Effect of translation adjustments	716	562	142	1,420
At 31 December 2020	**17,136**	**18,070**	**2,836**	**38,042**
Accumulated amortisation				
At 1 January 2019	15,779	10,481	2,329	28,589
Effect of translation adjustments	52	250	(200)	102
Amortisation expense	119	571	104	794
Disposal	(132)	–	–	(132)
At 31 December 2019	15,818	11,302	2,233	29,353
Effect of translation adjustments	659	328	105	1,092
Amortisation expense	154	463	101	718
Disposals	–	–	–	–
At 31 December 2020	**16,631**	**12,093**	**2,439**	**31,163**
Carrying amount				
At 31 December 2020	**505**	**5,977**	**397**	**6,879**
At 31 December 2019	**602**	**5,878**	**461**	**6,941**

(*) Includes capitalised development costs (NFV and diagnostics) according to IAS 38.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives.

Amortisation by categories:

Customer Relationships and Backlog: mainly 8 to 10 years

Technology: 5 to 7 years

Other: mainly 10 years

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25 Subsidiaries

A list of the significant direct and indirect investments in subsidiaries, including the country of incorporation, and percent of ownership interest as at 31 December 2020 is presented below.

Subsidiary	Principal activity	Country of incorporation	Ownership interest	Date of acquisition
Entity A	Telecommunication	United States of America	100%	April 2000
Entity B	Distribution	Romania	100%	June 2007
Entity C	Software	Israel	100%	October 2007
Entity D	Eco-Med	Hungary	75%	February 2008
Entity E	Distribution	Moldova	51%	July 2008
Entity F	Diagnostics	Italy	100%	February 2009
Entity G	Diagnostics	Italy	100%	November 2009
Entity H	Cyber	Israel	67%	April 2012
Entity I	Distribution	Hungary	100%	January 2016
Entity J	Distribution	Israel	100%	January 2017

26 Deferred tax

Deferred tax assets

The following are deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period (see also note 15).

	Retirement benefit obligations $'000s	Losses carried forward $'000s	Other(*) $'000s	Total $'000s
At 1 January 2019	32	2,591	32	2,655
Credit to income	3	562	1	566
Effect of translation adjustments	1	15	(3)	13
At 31 December 2019	36	3,168	30	3,234
Credit (charge) to income	(36)	2,415	(29)	2,350
Effect of translation adjustments	–	176	(1)	175
At 31 December 2020	–	**5,759**	–	**5,759**

(*) Including goodwill and other temporary differences

The Company incurred current tax losses in certain jurisdictions, to which deferred tax assets relate, to the extent that it is expected that future taxable profit will be available and can be utilised against them. The deferred tax assets are mainly attributed to profitable companies or to companies that have current losses but a history of profitable operations. The deferred tax assets were also analysed based on forecasted operations and existing agreements and backlog. The Company expects that taxable profits will be available, as a result of an increasing demand, new products and expansion to new markets.

Deferred tax liabilities

	Losses carried forward $'000s	Intangible assets $'000s	Tangible assets and other $'000s	Total $'000s
At 1 January 2019	(346)	131	443	228
Charge (credit) to income	364	(40)	46	370
Effect of translation adjustments	(18)	7	39	28
At 31 December 2019	–	**98**	**528**	**626**
Charge (credit) to income	–	(15)	54	39
Effect of translation adjustments	–	7	39	46
At 31 December 2020	–	**90**	**621**	**711**

The following are unrecognised taxable temporary differences associated with investments and interests:

Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised: $15,386 thousand as of 31 December 2020 (31 December 2019: $19,258 thousand).

27 Financial and other liabilities

Trade and other payables

	31 December	
	2020 $'000s	**2019 $'000s**
Trade creditors	22,373	20,450
Salary accruals	8,511	6,774
VAT and other tax	3,515	2,342
Liability to the office of the chief scientist	349	335
Liability on acquisition of a subsidiary*	311	434
Provision	2,059	360
Other creditors and accruals**	16,500	13,764
	53,618	**44,459**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 58 days (2019: 64 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

* See also note 31

** Including a liability to a related party, amounting to $148 thousand, that was repaid at the beginning of 2021

Notes to the Consolidated Financial Statements *(continued)*

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Long-term bank credit

	31 December	
	2020 $'000s	**2019 $'000s**
Long-term bank credit	675	762
	675	**762**

Long-term liabilities

	31 December	
	2020 $'000s	**2019 $'000s**
Liability to the office of the chief scientist	3,269	3,330
Liability on acquisition of a subsidiary	–	8
Government institutions and other	3,147	2,877
	6,416	**6,215**

Changes in financial liabilities where the cash flows in respect thereof are classified as cash flows from financing activities

2020	**Open balance $'000s**	**Cash flow from finance activities $'000s**	**Business combination $'000s**	**Foreign exchange differences $'000s**	**Close balance $'000s**
Short term	5,915	(830)	–	280	5,365
Long term	762	(42)	–	(45)	675
	6,677	**(872)**	–	**235**	**6,040**

2019	**Open balance $'000s**	**Cash flow from finance activities $'000s**	**Business combination $'000s**	**Foreign exchange differences $'000s**	**Close balance $'000s**
Short term	5,369	517	134	(105)	5,915
Long term	486	(353)	635	(6)	762
	5,855	**164**	**769**	**(111)**	**6,677**

Lease liabilities

	31/12/2020	31/12/2019
	$'000s	**$'000s**
Analysed as:		
Non-current	8,440	8,339
Current	2,244	2,070
	10,684	**10,409**

Disclosure required by IFRS 16

	31/12/2020	31/12/2019
	$'000s	**$'000s**
Maturity analysis		
Year 1	2,244	2,070
Year 2	2,116	1,519
Year 3	1,489	1,276
Year 4	1,082	1,144
Year 5	1,006	991
Onwards*	2,747	3,409
	10,684	**10,409**

* Include options

All lease obligations are denominated in currency contracts.

28 Share capital

	Ordinary shares of NIS 0.01 each (number of shares)	
	2020	**2019**
Authorised:	**1,000,000,000**	**1,000,000,000**
Issued and fully paid:	**440,434,124**	**440,279,074**

The Company has one class of ordinary shares which carry no right to fixed income.

During 2019, the Company raised, in aggregate, net proceeds of $17.1 million through the issue of a total of 33,283,254 New Ordinary Shares.

Listing on TASE

On 11 July 2019, the Group's shares commenced trading on its Secondary Listing on the Tel Aviv Stock Exchange under the symbol "BVC". The Group maintains its Primary Listing on the Premium Listing Segment of the Official List of the FCA and its shares continue to trade on the Main Market of the London Stock Exchange. Shares are fully transferrable and fungible between the two markets. BATM has not issued any new shares in connection with the Secondary Listing.

During the year, 155,050 options were exercised by 20 employees (see also note 33). During 2019, 3,395,000 options were exercised by three employees and a Director.

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29 Investments

Investments and loan carried at FVTPL

During 2013, the Company made an investment of $3.5m into a consortium for the construction of a new nationwide fiber optic infrastructure network in Israel named Israel Broadband Company (2013) Ltd (Hereinafter - "IBC"). During 2015, as part of the consortium agreement in IBC, the Company transferred an additional NIS 25m ($6.5m) upon IBC's call for the additional investment, comprising NIS 6.25m ($1.6m) as an additional equity investment in IBC and NIS 18.75m ($4.9m) as a shareholder loan.

In July 2019 the Company signed an agreement with Cellcom to sell its rights in IBC for an amount of NIS12m (c. $3.4m). The Company received the full amount in July 2019 and there was no outstanding balance as of 31 December 2020.

30 Note to the cash flow statement

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
Operating profit from operations	14,233	4,482
Adjustments for:		
Amortisation of intangible assets	718	794
Depreciation of property, plant and equipment and investment property	4,757	4,561
Capital loss of property, plant and equipment	31	31
Gain on sale of investment	-	(3,380)
Capital gain on reduce of holdings in associated company	(602)	(3,161)
Stock options granted to employees	158	105
Increase in retirement benefit obligation	96	121
Increase in provisions	2,114	298
Decrease (increase) in inventory	(11,198)	1,387
Decrease (increase) in receivables	916	(7,896)
Increase in payables	7,111	11,361
Effects of exchange rate changes on the balance sheet	1,729	(264)
Income taxes paid	(637)	(410)
Income taxes received	3	10
Interest paid	(970)	(873)
Net cash from operating activities	**18,459**	**7,166**

31 Business combinations and acquisition of subsidiaries

During 2019, the Group acquired 51% of Remedium for a consideration of $0.3 million.

This transaction has been accounted for by the purchase method of accounting.

REMEDIUM

	2019 US$ in thousands
Net assets acquired	
Property, plant and equipment	1,257
Net working capital	607
Short-term bank credit	(134)
Long term liabilities	(635)
	1,095
Non-controlling interest	(543)
Gain from bargain purchase	(248)
Total consideration	**304**
Satisfied by:	
Cash	304
Consideration recorded as a contingent liability	–
	304
Net cash outflow arising on acquisition	
Cash consideration	316
Cash and cash equivalents acquired	(12)
	304

Remedium contributed $1,939 thousand revenue and loss of $217 thousand to the Group's profit before tax for the period between the date of acquisition and 31 December 2019.

GREEN LAB

In January 2016 the Group acquired 100% of the issued share capital of Green Lab for a consideration of $3,813 thousand payable in cash of $1,913 thousand on acquisition and $1,900 thousand over a three-year period ($633 thousand at the beginning of each year commencing January 2017). During 2019, the Company paid the last portion of the liability. Green Lab is one of the leading distributors of analytical instruments for environmental and industrial sectors. Green Lab has exclusive relationships in Hungary with some of the most prominent operators in the industry.

BUSINESS COMBINATION

At the end of 2018, the Group acquired the major assets of a mass alert platform company. The Company estimates that the total consideration will be up to $614 thousand subject to certain milestones being achieved, of which $208 thousand was paid during 2019 and $144 thousand was paid during 2020. The remaining conditional liability is $311 thousand, which will be paid within one year subject to the progress of milestones being achieved. The Company has completed the purchase price allocation to the assets, liabilities and contingent liabilities.

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32 Guarantees and liens

The Group provided from time to time bank guarantees due to advances from customers.

The Company registered several liens in favour of banks.

33 Share-based payments

Equity-settled share option scheme
The Company has a share option scheme for all employees of the Group. Options are usually exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is between three to five years. Unexercised options expire ten years from the date of grant. Options are forfeited when the employee leaves the Group. Options to certain management employees are exercisable at a price equal to the average quoted market price of the Company's shares over the 30 days before the date of grant.

Details of the share options outstanding during the year are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price (in GBP)**
Outstanding at beginning of year	5,575,395	0.2613	8,906,598	0.2035
Granted during the year	400,000	0.6385	450,000	0.4487
Forfeited during the year	(64,145)	0.3701	(386,203)	0.2313
Exercised during the year	(155,050)	0.2475	(3,395,000)	0.1378
Outstanding at the end of the year	**5,756,200**	**0.2867**	**5,575,395**	**0.2613**
Exercisable at the end of the year	**3,056,200**	**0.2360**	**1,125,395**	**0.1575**

The options outstanding at 31 December 2020 had a weighted average exercise price of 0.2867 GBP, and a weighted average remaining contractual life of 7.30 years. 400,000 options were granted on 21 May. The aggregate of the estimated fair values of the options granted on this date according to the Black-Scholes model is $249,000. In 2019, options were granted on 23 May, 15 August and 28 November. The aggregate of the estimated fair values of the options granted on these dates is $76,000.

The inputs into the Black-Scholes model are as follows:

	2020	2019
Weighted average share price (GBP)	0.34	0.28
Weighted average exercise price (GBP)	0.26	0.29
Expected volatility	27-67	27-36
Expected life	3-5	3-5
Risk-free rate	0.9%	0.9%
Expected dividends	0%	0%

The inputs into the Black-Scholes model for the options granted in 2020 are as follows:

	2020
Weighted average share price (GBP)	0.92
Weighted average exercise price (GBP)	0.64
Expected volatility	67
Expected life	3
Risk-free rate	1.3%
Expected dividends	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of $158 thousand and $105 thousand related to equity-settled share-based payment transactions in 2020 and 2019, respectively.

34 Retirement benefit obligation

Defined contribution plans

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Israel. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Total expenses related to the contribution retirement benefit schemes are: $1,112 thousand in the year 2020 (2019: $1,056 thousand).

The employees of the Group's subsidiaries in the United States are members of a state-managed retirement benefit scheme operated by the government of the Unites States. The subsidiary contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Defined benefit plans

The Group operates defined benefit schemes for qualifying employees of the Company and its subsidiaries in Israel and in Italy.

In Israel this scheme provides severance pay provision as required by Israeli law. Under the plans, the employees are entitled to post-employment benefits equivalent to years of service multiplied by 8.33% of final salary on either attainment of a retirement age of 67 (men) and 64 (women) or redundancy. No other post-retirement benefits are provided to these employees.

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In Italy each employee is entitled to have a severance payment as soon as he ends the employment under one of the conditions specified below as except those who decide to choose private insurance during the employment. Principal conditions to release the liability are: 1. Full retirement age 2. Accumulation of minimal working years 3. Termination of employment by the employer 4. Death of employee 5. Occurrence of employee's disability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 3 January 2021 by Elior Weissberg, FILAA on behalf of Elior Weissberg Ltd. a member of the Institute of Actuaries regarding the employees in Israel. The present value of the defined benefit, obligation, the related current service cost and past service cost were measured using the projected unit credit method. The discount rate was based on high quality corporate bonds.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Discount rate(s)	2.10%	3.72%
Expected rate(s) of salary increase	1-4%	1-4%
Expected inflation rate	1.40%	1.36%
Employee turnover rate	8%	8%

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

Service cost:

	2020 $'000s	2019 $'000s
Current service cost	215	216
Net interest expenses	12	27
Components of defined benefit costs recognised in profit or loss	**227**	**243**

Re-measurement on the net defined benefit liability:

	2020 $'000s	2019 $'000s
Return on plan assets (excluding amounts included in net interest expense)	4	(30)
Actuarial gains and losses arising from changes in financial assumptions	2	64
Actuarial gains and losses arising from other	(21)	8
Components of defined benefit costs recognised in other comprehensive	**(15)**	**42**

The amount included in the consolidated statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2020 $'000s	2019 $'000s
Present value of funded defined benefit obligation	2,574	2,445
Fair value of plan assets	(1,746)	(1,730)
Net liability	**828**	**715**

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2020 $'000s	2019 $'000s
Opening defined benefit obligation	2,445	2,152
Current service cost	215	216
Interest cost	41	69
Remeasurement losses arising from changes in financial assumptions	19	91
Benefits paid	(247)	(229)
Exchange rate differences	101	146
Closing defined benefit obligation	**2,574**	**2,445**

Movements in the present value of the plan assets in the current period were as follows:

	2020 $'000s	2019 $'000s
Opening fair value of plan assets	1,730	1,576
Interest income	28	42
Remeasurements gains return on plan assets (excluding amounts included in net interest expense)	4	49
Contributions from the employer	51	75
Benefits paid	(190)	(146)
Exchange rate differences	123	134
Closing fair value of plan assets	**1,746**	**1,730**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

35 Related party transactions

Remuneration of key management personnel

	2020 $'000s	2019 $'000s
Short- and long-term employee benefits	2,378	1,630
Shared-based payment	84	93
	2,462	**1,723**

Transactions with associated companies
During the year, the Company provided various services to an associated company for an amount of $61 thousand.

36 Financial Instruments

(a) Capital risk management
Management's policy is to maintain a strong capital base in order to preserve the ability of the Group to continue operating so that it may provide a return on capital to its shareholders, benefits to other holders of interests in the Group such as credit providers and employees of the Group, and sustain future development of the business. Management of the Group monitors return on capital, defined as the total amount of equity attributable to the shareholders of the Group and also the amount of dividends distributed to the ordinary shareholders.

The Group's management reviews the capital structure on a periodic basis. As a part of this review the management considers the cost of capital and the risks associated with each class of capital. Based on management's recommendations, the Group will balance its overall capital structure through the payment of dividends. The Group's overall strategy remains unchanged from 2006.

(b) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

(c) Categories of financial instruments

	2020 $'000s
Financial assets	
Cash and cash equivalents*	50,575
Fair value through profit or loss	3,306
Fair value through OCI	524
Receivables	40,068
Financial liabilities	
At amortised cost	57,353
Fair value through profit or loss	–

	2019 $'000s
Financial assets	
Cash and cash equivalents*	40,584
Fair value through profit or loss	4,758
Fair value through OCI	509
Receivables	41,532
Financial liabilities	
At amortised cost	51,766
Fair value through profit or loss	8

*Cash and cash equivalents comprises $11.6 million deposits up to three months and $39.0 million cash (2019: $11.5 million deposits up to three months and $29.1 million cash).

The majority of the assets included in fair value through profit or loss section measurements are level 1 fair value measurements, defined as those derived from quoted prices (unadjusted) in active markets for identical assets.

All fair value through profit or loss liabilities measurements are level 3 fair value measurements, derived from net present value of royalties liability based on estimated future revenues.

(d) Financial risk management objectives

The Group's Finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivatives only for economic hedging and does not apply hedge accounting. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide - principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer to section f) and interest rates (refer to section g). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including: structured deposits, call options and forward foreign exchange contracts to hedge the exchange rate risk arising on the export of telecommunications equipment to the United States.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(f) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

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The Company does not implement hedge accounting.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2020 $'000s	2019 $'000s	2020 $'000s	2019 $'000s
New Israeli Shekel	14,873	10,014	21,034	23,475
Euro	26,559	18,512	32,680	9,213
RON	4,300	5,163	8,871	3,567
MDL	1,983	2,784	3,532	4,157
GBP	323	263	441	10,914
Other	4,810	2,562	1,019	1,597

Foreign currency sensitivity
The Group is mainly exposed to Euro, NIS, RON, GBP and MDL.

The following table details the Group's sensitivity to a 10% change in US$ against the respective foreign currencies in 2020 (2019: 10 percent). The 10 percent is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where the US$ weakens against the respective currency. If the US$ were to strengthen by the same percentage against the respective currency there would be a similar but reverse impact on the profit or loss and equity as presented in the tables below.

Profit or loss

	2020 $'000s	2019 $'000s
NIS Impact	417	620
Euro Impact	(151)	(164)
GBP Impact	29	1,081

Equity

	2020 $'000s	2019 $'000s
NIS Impact	199	726
Euro Impact	763	(766)
MDL Impact	155	137
GBP Impact	(17)	(16)
Other currencies Impact	78	(256)

This is mainly attributable to the exposure outstanding US$ receivables and payables at year end in the Group.

The Company engaged in financial instruments contract such as forward contracts, call and put options and structured instruments in order to manage foreign currencies exposure.

During the year the Company engaged in five financial instruments which resulted in $223 thousand recorded as finance income (2019: four financial instruments which resulted in $245 thousand recorded as finance expenses).

(g) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposure to interest rate on financial assets and financial liabilities are detailed below (refer to section h). The exposure to floating rate loans is not material.

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Financial liabilities

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	Total
	%	$'000s	$'000s	$'000s	$'000s
31 December 2020					
Non-interest bearing	–	47,695	405	6,325	54,425
Bank loans interest bearing (*)	3.12	736	4,629	675	6,040
Lease liabilities	2.92	561	1,683	8,440	10,684
		48,992	6,717	15,440	71,149
31 December 2019					
Non-interest bearing	–	41,424	388	6,482	48,294
Bank loans interest bearing (*)	3.64	1,070	5,038	569	6,677
Lease liabilities	3.12	518	1,552	8,339	10,409
		43,012	6,978	15,390	65,380

(*) Part of the bank loans are linked to a fix rate plus Euribor.

The future bank loan interest to be paid is $178 thousand.

(i) Finance liabilities

Loans from banks are measured at amortised cost using the effective interest method. The difference between the fair value of the loans and their book value is not significant.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2020

(j) Fair value of financial instruments carried at amortised cost
The fair value of the financial instruments of the Group carried at amortised cost is not considered to be materially different from the stated amortised cost.

(k) Fair value measurements recognised in the consolidated statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 3 based on the degree to which their fair value is observable:

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the liabilities that are not based on observable market data (unobservable inputs).

Reconciliation of Level 3 fair value measurements of Investments carried at fair value - IBC

	31 December	
	2020 $'000s	2019 $'000s
Opening balance	–	47
Translation differences	–	3
Proceed on sale of investment	–	(3,430)
Gain on sale of investment	–	3,380
Closing balance	–	–

37 Non-cash transactions

In 2016 the acquisition of Green Lab was for a total consideration of $3.8m payable over a three-year period of which: $1.9m was paid in 2016, $0.6m was paid in 2017, $0.6m was paid in 2018 and the remaining $0.7m was paid in 2019.

38 Post balance sheet events

On 19 March 2021, the Group sold its NG Soft Ltd ("NGSoft") subsidiary for a total consideration of NIS 105.1m (c. $33m), of which the Group received NIS 93.7m (c. $29m), to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund. Certain employees of NGSoft received the balance of NIS 11.4m through cash out of their employee options and rights on completion.

NGSoft is a software and digital services company that provides creative digital and technology solutions. Its development activities did not include any of the Group's NFV or cyber solutions. Accordingly, the Board believes it was in the best interests of BATM and of all shareholders to generate value from the sale of NGSoft and invest the proceeds to accelerate the Group's core activities.

Other Alternative Measures

The Group uses adjusted operating profit and EBITDA as performance measures, which are calculated as per the following table:

	Year ended 31 December	
	2020 $'000s	**2019 $'000s**
GAAP operating profit	14,233	4,482
Amortisation of intangible assets	718	794
Adjusted operating profit	14,951	5,276
Depreciation	2,341	2,101
Depreciation of right-of-use assets	2,416	2,460
EBITDA	19,708	9,837

The above does not form part of the audited financial statements.

Company Information

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