ANNUAL REPORT AND ACCOUNTS

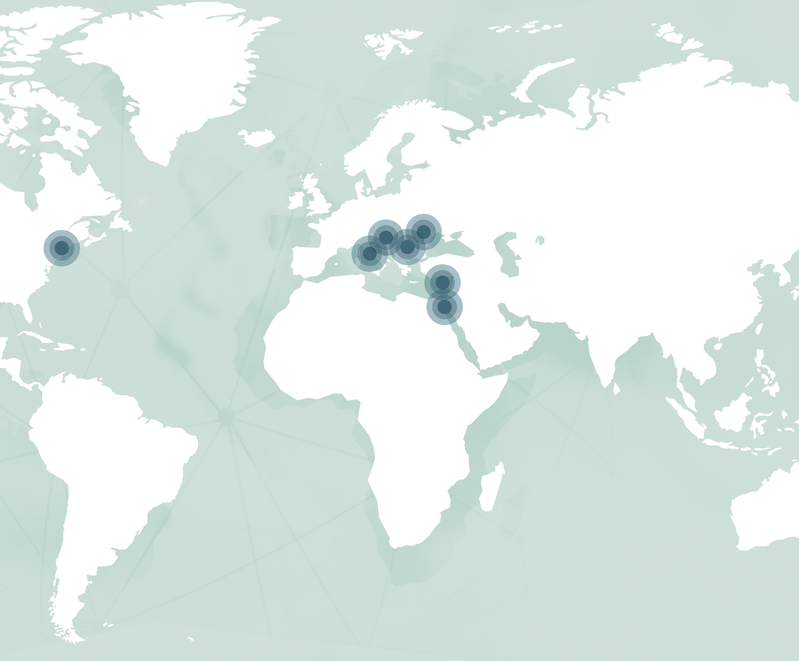
FOR THE YEAR ENDED 31 DECEMBER 2021

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
- Networking 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

While seeking to accelerate our growth

- By establishing partnerships, collaborations and joint ventures to maximise resources and enhance our routes-to-market

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

Underlying growth across all business units

Group revenue
Ongoing operations (adj.)*

$132.8m
+18.0%
(2020: $112.6m)

Reported

$140.0m
-23.7%
(2020: $183.6m)

Gross margin
Ongoing operations (adj.)*

37.8%
+140bps
(2020: 36.4%)

Reported

36.5%
+340bps
(2020: 33.1%)

Gross profit
Ongoing operations (adj.)*

$50.2m
+22.5%
(2020: $41.0m)

Reported

$51.1m
-15.9%
(2020: $60.7m)

Operating profit
Ongoing operations (adj.)*

$11.3m
+339.5%
(2020: $2.6m)

Reported

$24.4m
+71.3%
(2020: $14.2m)

EBITDA
Ongoing operations (adj.)*

$15.7m
+138.8%
(2020: $6.6m)

Reported

$29.6m
+50.4%
(2020: $19.7m)

Cash and financial assets

Reported

$67.8m
+26.9%
(2020: $53.4m)

Sustained growth for molecular diagnostics

→ Growth in COVID-19 and non-COVID-19 solutions

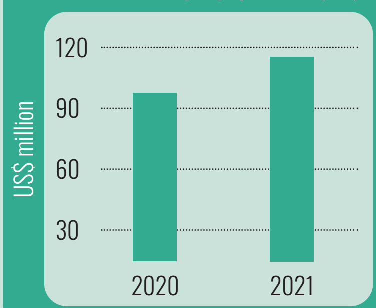
Launch of Edgility

→ Won two edge computing contracts

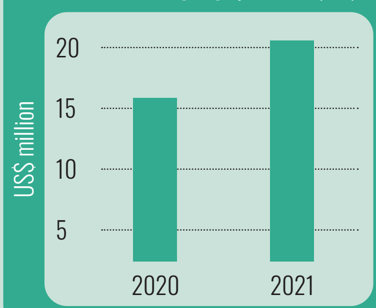
→ Established four new partnerships

→ Over $18m received in **cyber** security contracts

BIO-MEDICAL DIVISION
Revenue from ongoing operations (adj.)*



NETWORKING AND CYBER DIVISION
Revenue from ongoing operations (adj.)*



* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (3) the amortisation of intangible assets for both years. The term 'ongoing operations' in this Strategic Report is used for comparative purposes only and is not used in the same context as in accounting standards. For further information see 'Other Alternative Measures' on page 110.

Chairman's Statement

Dr. Gideon Chitayat
Chairman

I am delighted to present BATM's Annual Report 2021. It reflects another very successful year of progress, which saw substantial growth from ongoing operations across all our business units. Exciting new contracts added to our global base of tier 1 clients and we continued to execute on our value creation strategies with the sale of our non-core NGSoft subsidiary, generating a capital gain of $13.0m.

BATM has established solid foundations in core technologies – backed by strong intellectual property and patents – that are now at an inflexion point of becoming market disrupters. Our high-tech and user-friendly solutions to real-world challenges in the bio-medical and networking spheres, our innovative technology and robust partnerships make us, I believe, stronger than ever today. In addition, our products and ethos continue to make a positive difference to the world at large – as clearly demonstrated in the recent pandemic and by solutions like our eco-friendly agricultural and medical waste disposal systems.

PROGRESS ACROSS THE BUSINESS

Both divisions, Bio-medical and Networking & Cyber, grew significantly in 2021 from ongoing operations. In the Bio-medical division, the COVID-19 pandemic created strong demand for diagnostic instruments and test kits resulting in significant growth in sales. However, importantly, we also had increased sales of our diagnostic products for other disease areas. We are specialists not just in the diagnosis of COVID-19 but in the molecular biology of infectious diseases. Pathogens such as tuberculosis (TB) pose critical health challenges with devastating social and economic consequences, especially in poorer countries. In 2021, we began developing a PCR and iso-thermal method for rapidly and comprehensively diagnosing TB, backed by the international Stop TB Partnership. We believe that through this innovative solution, we will be able to contribute to the eradication of this disease, which is a leading cause of death but is both preventable and curable. We are particularly proud of the progress in our Diagnostics unit – where our investment in recent years has come to fruition.

In the Networking & Cyber division, substantial contracts were won by our cyber business. Another highlight was the launch of our Edgility platform, which we believe will be a key driver of future growth. Revenue from the unit's ongoing operations rose, reflecting underlying growth in both units. We launched Edgility in July 2021, which is our brand of products and services for edge computing based on our network function virtualisation (NFV) technology. Two multi-year contracts worth $2.7m followed, along with several successful proof-of-concepts, which are expected to translate into further orders in 2022. Alongside this, we advanced our strategy to grow our market reach through collaborations, which has continued into the new year.

Other progress included a new tier 1 customer in the Asia Pacific region for our Network Edge carrier ethernet business, which contributed significantly to the unit's growth. In our Cyber unit, we received new cyber security multi-year contracts worth over $18m from a long-standing government defence customer. This included an advanced network security solution containing elements of NFV protection.

STRATEGY

Our strategy is to deliver growth by focusing on developing high-technology solutions that solve complex challenges in mission-critical largescale applications. In doing so, we seek to differentiate through our intellectual property, including our proprietary algorithms, and the world-leading expertise of our employees.

In particular, we are focused on being one step ahead at the leading edge of innovation – primarily in the fields of networking, molecular diagnostics and cyber. All of our solutions – which we take from idea, to scale up, to mass-market success – and our business practices are designed with sustainability and longevity in mind: addressing the challenges of today and what we believe will be the demands of the future.

We amplify our resources through establishing strategic partnerships and are focused on creating shareholder value through business success as well as value realisation opportunities, such as the sale of non-core assets to reinvest in activities that will drive our growth.

OUTLOOK

Looking ahead, we will continue to cultivate growth and development as well as pursuing opportunities to accelerate realisation of the value of the IP within our units through strategic transactions. We believe the threat of infectious disease will only become greater and so demand for molecular biology and diagnostic technology will continue. The burgeoning growth in Internet of Things applications and new ways of working all require the edge computing solutions that we provide with Edgility. In addition, recent geopolitical events have highlighted the growing need for governments and businesses to fortify their cybersecurity systems as we enter a new era of cyber warfare.

A disappointing development was the decision of FTSE Russell to remove our stock from the FTSE UK Index Series, after more than twenty years of inclusion. This was a result of the volume of trading in our stock on the Tel Aviv Stock Exchange, where we have our secondary listing, surpassing the threshold set by FTSE Russell. While we are disappointed by the decision, this will not affect our business performance, the manner in which our stock is traded or our ability to deliver value for our shareholders.

I would like to thank BATM's Executive team and employees for their hard work, commitment and talent, especially Dr. Zvi Marom, our CEO, and Moti Nagar, our CFO, who have been instrumental in the business transformation achieved in 2021. I would also like to thank you, our valuable shareholders, for your continued support.

Following our substantial progress in 2021, we began the current year with strong momentum and a strong backlog. I look forward with excitement and confidence and believe we are on track to deliver significant growth in line with market expectations in 2022 and value for shareholders this year and beyond.

Chief Executive Officer's Review

Dr. Zvi Marom
Chief Executive Officer

This was a remarkable year for BATM. We delivered substantial underlying growth across all business units, in particular driven by our Bio-Medical division which responded to the increased demand for the COVID-19 diagnostics tests developed in the previous year, and the expanding portfolio of further tests offering significant advantages such as speed and ease-of-use. In our Networking and Cyber division, we launched our edge computing and NFV offering, Edgility, which we expect will be a key driver of future growth.

Bio-Medical Division

Diagnostics

The Diagnostics unit achieved significant growth in 2021, with revenue increasing by 37.7%. This growth was driven by sustained demand for our COVID-19 diagnostic tests as well as sales of diagnostic instruments (readers) that were frequently ordered alongside the reagents. However, sales of our diagnostic products in other (non-COVID-19) disease areas also grew. To cater for the increased demand, we expanded the production capacity of our Adaltis facility in Rome, Italy.

COVID-19 diagnostic tests

We continued to receive strong demand for COVID-19 solutions during 2021, with customers primarily being public health authorities in Europe, the Middle East and South East Asia. We also expanded our portfolio of COVID-19 tests with the launch of:

- a saliva-based PCR test that uses self-collected samples from the individual spitting into a collector tube rather than deep swabbing via the nose (nasopharyngeal swab) or back of the throat (oropharyngeal swab). This offers advantages in terms of speed and ease of sample collection and lab processing and it is more cost effective than the standard PCR swab-based tests. The test is being produced at our Adaltis facility.
- the RAPiDgen® SARS-CoV-2 Ag lateral flow test for at-home use with an easy-to-use design and that gives results in 10 minutes. Developed in partnership with Gamidor Diagnostics ("Gamidor"), it is being marketed in Europe under the Adaltis brand and produced at Gamidor's facility in Israel.

We now have a comprehensive range of tests for diagnosing COVID-19 that cater for the requirements of different customers or users and offer advantages compared with many competing solutions in terms of speed, accuracy and ease of use. This demonstrates the key strength of our business, which is the ability to bring together our expertise and IP, and the right partners, to develop and deliver innovative and reliable solutions to address complex challenges.

Progress in other disease areas

Sales of diagnostic products that are not related to COVID-19 testing also increased during the year. In particular, there was growing demand for reagents to detect HIV (human immunodeficiency virus), HPC (hepatitis C) and HPV (human papillomavirus) among others.

We also progressed our development work. Our new molecular diagnostics test that is able to test for multiple respiratory pathogens (that often present with overlapping symptoms) at the same time continued to advance through the certification and validation stage and we expect sales to commence in the current year. By detecting multiple pathogens on the same test (multiplexing), with a single patient sample, patients, laboratories and healthcare providers benefit from a reduction in unnecessary testing and gaining important insights more quickly.

Ador Diagnostics

Our Ador Diagnostics ("Ador") associate company is focused on 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 progressed the development of its innovative diagnostics technology that uses the rolling circle amplification ("RCA") method. This offers a number of advantages over the more prevalent PCR method. It allows for the multiplexing of a far higher number of pathogens, and enables test results to be provided in a significantly shorter timeframe and with greater accuracy. During the year, clinical trials were successfully completed of Ador's RCA-based meningitis panel. We expect sales of RCA-based testing kits to laboratories to commence in the current year. Work also continued on incorporating the RCA method into the NATlab system, with sales to point-of-care settings expected to commence next year.

Ador, alongside Adaltis, received the backing of the Stop TB Partnership, an international alliance comprising governmental and non-governmental organisations, for a new method that we have developed (in cooperation with a leading university in Italy and the University of Heidelberg) for the rapid and comprehensive diagnosis of tuberculosis using the RCA process. The testing and validation of products developed under this programme is taking place, and we expect commercial-scale testing to start next year, which is being part-funded under a programme of the Stop TB Partnership.

Post year end, an additional $10m was invested into Ador, of which we contributed $4m (bringing our shareholding to 37.2%). The investment will be used to prepare Ador for the pre-production stage, register additional patents (mainly in the US), progress development of more disease panels and certifications, and increase the cooperation with international bodies, including the World Health Organisation.

Eco-Med

On an underlying basis, to exclude the contribution to the Eco-Med unit in 2020 of the exceptional ventilator contract, revenue increased by 37.1%. This underlying growth was based on delivery on contracts for the installation of our pathogenic waste treatment solutions based on our Integrated Steriliser and Shredder ("ISS") technology, which had been paused during 2020 owing to government lockdowns and restrictions on travel following the global pandemic. In particular, we progressed delivery of a contract to expand and enhance the ISS-based solution installed at the Hungarian facility of Ceva Animal Health, a leading developer of animal health products, and with the installation of our ISS-based solution for our agri-food conglomerate customer in Taiwan. The completion of these contracts is expected to occur in the first half of 2022, subject to government restrictions in these countries due to COVID-19.

Distribution

Revenue in the Distribution unit increased by 8.9% in 2021 driven by the distribution of several molecular biology tests and the ongoing demand for COVID-19 reagents and diagnostic equipment. Post year end, we have begun providing our distribution activities in Hungary, although we do not expect this to make a material contribution to the Distribution unit's revenue in the near term.

Networking and Cyber Division

Networking

In the Networking unit, revenue from ongoing operations (excluding the contribution to both years from NGSoft) increased by 13.4%, which was based on growth in Network Edge (Carrier Ethernet) sales.

Edgility – Edge Computing and NFV solutions

During the year, we launched our Edgility brand of networking products and services designed for virtualisation and edge computing based on our NFV operating system, Edgility OS (formerly NFVTime). Edgility OS enables telecoms operators and service providers 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. The name 'Edgility' reflects our focus on edge computing where data processing takes place at the network edge, nearer to the end device, to improve response times and save bandwidth. Edge computing is fundamental in enabling Internet of Things technologies.

Towards the end of the year, we were awarded two contracts for Edgility, with an expected aggregate value of $2.7m over a five-year period, and initial revenue generation commenced post year end. CEMEX, S.A.B, (NYSE: CX), a global construction materials company, became the first enterprise customer for Edgility, which followed an extensive proof-of-concept during which our R&D team developed and implemented several bespoke technology features to meet their requirements. CEMEX intend to use Edgility to enable seamless managed connections between their thousands of locations worldwide. The other contract was awarded by e-Qual, a global Managed Services Provider based in France that operates in 55 countries, which selected Edgility to improve the management and orchestration platform for its managed enterprise services.

Edgility continued to undergo evaluation with leading network operators and multi-service providers worldwide,

Chief Executive Officer's Review *CONTINUED*

with successful proof-of-concepts being conducted with several potential customers and partners. We expect a number of these to translate to orders in 2022.

To expand the sales and marketing reach, and provide further routes to market, we established a number of strategic partnerships, primarily involving Edgility being pre-integrated with, or pre-installed on, the partner's network appliances (with customers that use the Edgility solution contracting with the us directly). We expect these partnerships to accelerate the adoption and sales of Edgility. This includes partnerships with:

- AudioCodes (NASDAQ, TASE: AUDC), a leading provider of advanced communications software, products and productivity solutions for the digital workplace, where Edgility has been made available on AudioCodes' Mediant 800 uCPE multi-service business router.
- albis-elcon, a German-based supplier of networking products and services primarily to tier 1 telecommunications operators in Europe and Latin America, which has integrated Edgility into its recently launched uSphir solution.
- Stem Connect, which services enterprise and telecommunication customers in the UK, France and South Africa and will offer Edgility to its customers.
- Post year end, Advantech (TWSE: 2395), a global leader in industrial IoT, which will provide Edgility pre-installed on a variety of its universal edge network appliances.

We continue to develop and expand the Edgility product offering. We completed the enhancement of Edgility OS to enable certified compatibility with 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. We also launched new products under the Edgility product suite, including a Fast SD-WAN & Firewall offering (in partnership with Clavister) that provides secure network connectivity for the small office and home office market.

Network Edge solutions and services

Revenue from Network Edge solutions and services (formerly described as our 'Carrier Ethernet' business) grew as normal business practices increasingly resumed following the slowdown as a result of COVID-19. There was revenue growth in all geographic regions where we operate, primarily based on repeat business from existing clients, but also some new customers. In particular, we were selected as the preferred supplier by a tier 1 telecommunications operator in APAC to provide demarcation units, which made a significant contribution to the growth in Network Edge revenue. At year end, we had a significantly higher backlog in this unit than at the start of the year, although this partly reflects delivery of some of our orders being delayed into 2022 due to global electronic components shortages.

Cyber

During 2021, we were awarded cyber security contracts totalling $18m from our long-standing government defence department customer. This includes a $10m contract for an advanced solution that combines a unique cyber defence capability for large volume high speed network traffic with elements of virtualisation protection developed under our NFV offering.

We commenced delivery on these contracts during the year, which resulted in growth in the Cyber unit's revenue. However, the vast majority is to be delivered in 2022 and 2023, which partly reflects the impact of global electronic components shortages that delayed some delivery into 2022.

During the year, we continued our development efforts. In particular, we are in the process of developing a version of our cyber security solution aimed beyond the defence industry, which will expand the addressable market.

Outlook

We entered the new year with a substantially higher backlog for ongoing operations than at the same point the prior year and we are continuing to experience sustained momentum across the business. Accordingly, we remain on track to deliver significant growth for full year 2022 in line with market expectations. In particular, we expect the Bio-Medical division to continue to be the largest contributor to our revenue, however with an increased

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.

proportion being accounted for by the Networking and Cyber division, reflecting strong growth in that division.

In the Networking and Cyber division, both units are expected to achieve significant growth. Both units entered the year with a strong backlog and have continued to receive increasing demand for their products and services as normal business practices resume.

In the Bio-Medical division, demand for our COVID-19 diagnostic products have continued alongside a strong increase in orders for solutions in other disease areas as public health organisations return focus to routine care. The Eco-Med unit expects to complete the delivery of its existing orders as well as win further contracts for its agri-waste treatment solution.

At present, we are confident of delivering against our backlog, but we remain mindful of the potential impact of global supply chain challenges, particularly related to any further shortages of electronics components.

In addition, we continue to keep under review potential value creation opportunities. We have established solid foundations in core technologies that we believe will be market disrupters. As these technologies transition and ramp up to commercialisation, we will consider enhancing value realisation through strategic transactions, such as partnerships and disposals.

Accordingly, we remain confident in the prospects of the business and look forward to delivering shareholder value.

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, returns to shareholders and scope for acquisitions.

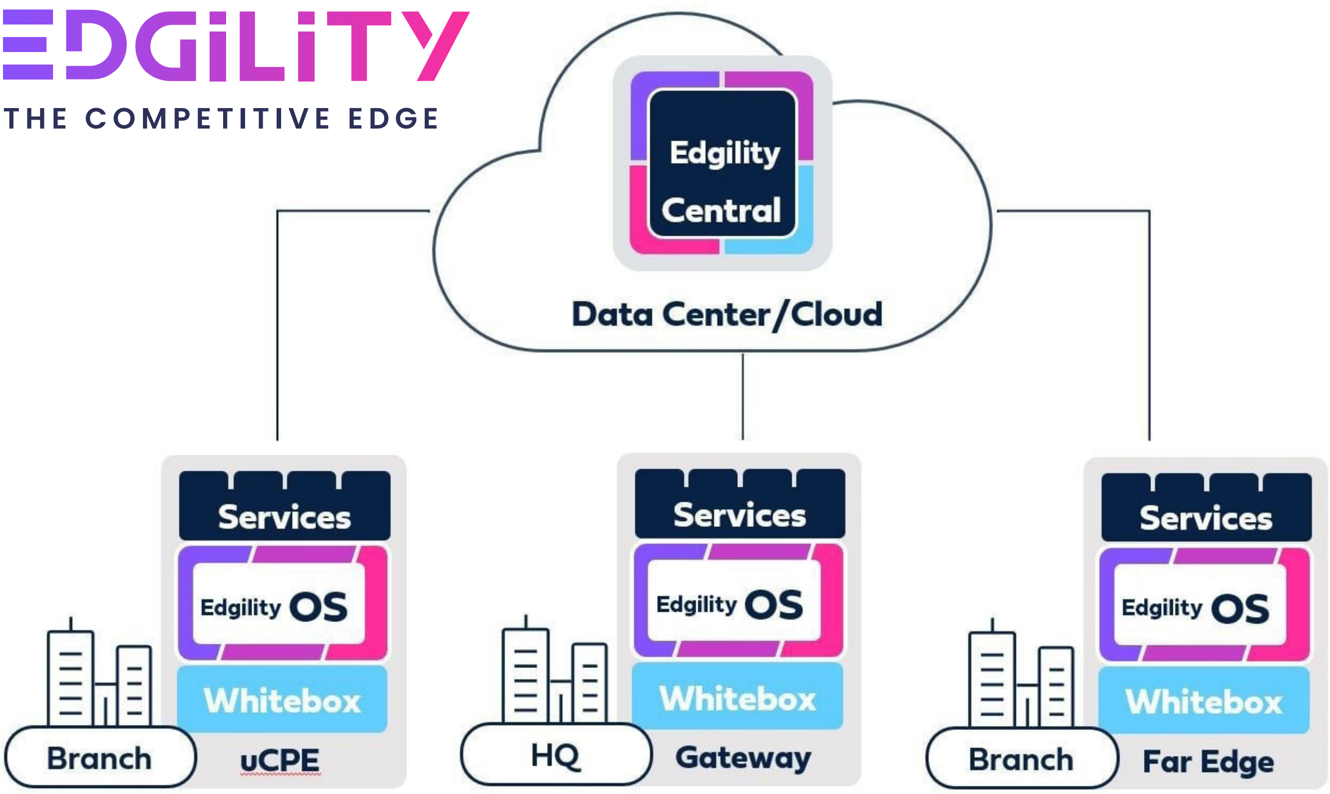
Financial growth
BATM targets revenue, margin and EPS growth both organically and via acquisition; and seeks to maximise shareholder value, where appropriate, through value realisation opportunities.

Edgility

Edgility provides customers with a simple and easy-to-use platform to deploy, manage and operate multiple virtual services/functions on multiple thousands of edge devices at multiple sites. New services (or sites) can be deployed in a matter of minutes – rather than days – without the need for technical personnel on-site. This smart edge computing platform comprises two components: Edgility OS, a high-performance and small footprint operating system, and Edgility Central, a cloud-based management and orchestration (MANO) system.

Key highlights of Edgility's offering:

- Simple deployment and management of all edge devices and software at multiple thousands of sites worldwide via a single pane of glass
- Reduced monthly communication costs and increased operational efficiency
- Vendor agnostic: supporting any software application, public clouds on ARM or Intel processors and with any whitebox device
- Runs on ultra-low-cost hardware devices as well as high-end servers
- Significantly cuts carbon footprint and saves energy costs



Case study: CEMEX

"We chose Edgility for its superior Management & Orchestration, which provides us with an end-to-end toolset to cost-effectively deploy and then manage the lifecycle of our edge devices. Edgility provides the flexibility and scalability to expand and adapt to our fast-changing business requirements, as well as hosting diverse applications on any standard server."

Fernando Garcia -Villaraco Casero, IT Strategy and Architecture Manager - Global at CEMEX

CEMEX is one of the world's leading construction materials companies, manufacturing and distributing cement, ready-mix concrete, and aggregates in more than 50 countries. With 41,000 employees, CEMEX operations span thousands of sites worldwide.

CEMEX decided in 2020 to replace CemexNet with virtualised secure SD-WAN functions across all its sites. CEMEX's overriding goal was to gain control of its network. It sought to reduce the complexity of managing CEMEX's thousands of edge devices across multiple sites, lower the monthly operational costs and increase flexibility. Automated deployment and simple management of edge devices were key requirements due to the large number of sites to be handled by a third-party system integrator.

CEMEX selected Edgility as the operating system and management system for the uCPE edge devices in its new enterprise communications network. It enables CEMEX to seamlessly upgrade to a flexible, automated, and resilient Enterprise WAN architecture. CEMEX chose Edgility for its advanced automation and intuitive management capabilities – allowing CEMEX to cost-effectively deploy, maintain and integrate best-of-breed network functions and applications from multiple software providers across its network.

Case study: e-Qual

"We selected Edgility for its distinctive technological superiority over all the alternatives we examined. Edgility provides a single, all-in-one solution including all the orchestration tools we require."

Philippe de Lussy, CEO of e-Qual

e-Qual is a France-based managed services provider, offering connectivity, IT, and network management services to mid-sized to large organisations in the private and public sectors in 55 countries. e-Qual integrates telecom, network, systems, and security solutions, and operates them from a 24/7 service and operations centre.

To streamline and reduce the cost of operations, e-Qual sought a powerful and automated management and orchestration (MANO) system that would increase operational efficiency while enabling it to provide highly flexible and customised services to its diverse customer base.

e-Qual thoroughly examined various solutions and selected Edgility as its next generation edge compute platform. Ideal for meeting its automation needs, Edgility provides e-Qual with a unified, multi-tenant platform to deploy and manage multiple applications including complex connectivity-based services, such as SD-WAN, for its enterprise customers.

Edgility offers a high-performance, small form factor operating system that is being deployed on hundreds of edge devices at e-Qual customers sites, as well as a robust MANO solution installed at e-Qual's service and operation centre. Edgility's MANO allows e-Qual to manage its entire managed services operation from a single pane of glass.

Stakeholder Engagement

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

2021 HIGHLIGHTS

- **362 new customers won (excluding consumer customers - as opposed to businesses or public bodies - by subsidiaries that serve the public)**
- **139 customer training programmes conducted, with participation of approximately 230 individuals**

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

2021 HIGHLIGHTS

- **Approximately 25 shareholder meetings or scheduled calls**
- **Hosted investor webinars to present FY 2020 and H1 2021 results**

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

2021 HIGHLIGHTS

- **Appointed Prof. Varda Shalev to newly-created 'voice of the workforce' NED role**
- **Held 'round table' discussions between employees and management in the Networking unit, with findings presented to the Board**

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 and tuberculosis
- 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

2021 HIGHLIGHTS

- **Arranging quarterly donations of basic food products and toys to disadvantaged families**
- **Raised $49.5k for charitable causes**

Chief Financial Officer's Review

Moti Nagar, CPA
Chief Financial Officer

Total Group revenue from ongoing operations[1] increased by 18.0% to $132.8m (2020: $112.6m). This was driven by significant underlying growth in the Bio-Medical division and strong growth from ongoing operations in the Networking and Cyber division. The Bio-Medical division accounted for 84.4% of revenue from ongoing operations and the Networking and Cyber division accounted for 15.6%. On a reported basis, total Group revenue was $140.0m (2020: $183.6m), which reflects 2021 including a three-month contribution from NGSoft compared with a full year in 2020 as well as the significant ventilator contract that we delivered in 2020.

The gross margin for ongoing operations improved to 37.8% (2020: 36.4%), reflecting the increased contribution to revenue from the new molecular biology diagnostic kits and COVID-19 products of the Bio-Medical division that are higher margin. On a reported basis, gross margin was 36.5% (2020: 33.1%), with the change primarily reflecting the reduced contribution to revenue from the relatively lower margin ICT services as a result of the sale of NGSoft.

Sales and marketing expenses for ongoing operations were $18.1m (2020: $16.9m), representing 13.7% of revenue compared with 15.0% in 2020. On a reported basis, sales and marketing expenses were $18.3m (2020: $20.2m).

General and administrative expenses from ongoing operations were $11.9m (2020: $13.2m), representing 9.0% of revenue (2020: 11.7%). On a reported basis, general and administrative expenses were $12.2m (2020: $15.9m).

The lower percentage of revenue accounted for by sales and marketing and general and administrative expenses reflects the operational gearing of the business, with an increase in sales not requiring a commensurate increase in expenses, as well as strong cost discipline.

R&D expenses for 2021 were $8.6m for ongoing operations and $8.7m on a reported basis. This compares with $8.5m from ongoing operations in 2020 and $10.3m on a reported basis.

Operating profit from ongoing operations increased by 339.5% to $11.3m compared with $2.6m in 2020. This growth reflects the significantly higher revenue and gross profit generated by the Diagnostics unit of the Bio-Medical division.

On a reported basis, operating profit increased by 71.3% to $24.4m compared with $14.2m in 2020. The growth reflects the capital gain from the sale of NGSoft and the contribution from the Diagnostics unit as described above, partly offset by the contribution to 2020 from the profit from the delivery of the ventilators contract and a full year profit from NGSoft.

As a result of the increase in operating profit, EBITDA from ongoing operations increased by 138.8% to $15.7m (2020: $6.6m). On a reported basis, EBITDA grew by 50.4% to $29.6m (2020: $19.7m).

Net finance income was $0.6m (2020: expenses of $0.9m), which primarily reflects the positive impact of foreign exchange in 2021.

Profit before tax (on a reported basis) increased by 87.5% to $24.9m (2020: $13.3m), reflecting the growth in the business and the gain from the sale of NGSoft.

Tax expenses were $9.3m (2020: $1.0m). The increase is mainly as a result of a tax provision related to the sale of NGSoft and tax expenses due to the increase in profit of the Bio-Medical division. The comparatively low tax expenses of 2020 also reflect the utilisation of carry forward losses as well as the recording of a deferred tax asset related to carry forward losses.

[1] Throughout this Chief Financial Officer's Review, 'ongoing operations' refers to the reported results adjusted to exclude the contribution to 2021 and 2020 from NGSoft, a subsidiary of the Networking and Cyber division that was sold in March 2021, and the contribution to 2020 from an exceptional contract in the Bio-Medical division for the supply of critical care ventilators. The term 'ongoing operations' is used for comparative purposes only and is not used in the same context as in accounting standards. For further detail, see 'Other Alternative Measures' on page 110.

	Reported				Adjusted*		
$m	2021	2020	Change		2021	2020	Change
Revenue	140.0	183.6	(23.7%)		132.8	112.6	18.0%
Gross margin	36.5%	33.1%	340bps		37.8%	36.4%	140bps
Operating profit	24.4	14.2	71.3%		11.3	2.6	339.5%

* Adjusted to present the results an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that we sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (3) the amortisation of intangible assets for both years.

On a reported basis, profit after tax attributable to the Owners of the Company increased to $14.3m (2020: $9.8m) resulting in a significant increase in basic earnings per share to 3.26¢ (2020: 2.22¢).

As at 31 December 2021, inventory was $31.0m (31 December 2020: $33.9m). Trade and other receivables were $34.9m (31 December 2020: $41.5m), with the decrease due to the disposal of NGSoft.

Intangible assets and goodwill as at 31 December 2021 were $16.0m (31 December 2020: $23.7m). The decrease is due to the sale of NGSoft.

Property, plant and equipment and investment property was $19.8m (31 December 2020: $18.0m). The increase is mostly due to investment in the Diagnostics unit to expand our laboratories to support future growth, which offset the reduction from the disposal of NGSoft.

The balance of trade and other payables was $47.5m (31 December 2020: $53.6m). The decrease is primarily due to the sale of NGSoft as well as provisions as at 31 December 2020 for suppliers for the ventilator project that were due to be paid in Q1 2021.

Cash from operations was $8.7m (2020: $20.1m). After payments of tax and interest, net cash from operating activities was $5.6m (2020: $18.5m). The reduction compared with the prior year is primarily due to payment being made during 2021 to suppliers related to the ventilator project that had been delivered during 2020.

Our balance sheet was strengthened with cash and financial assets of $67.8m as at 31 December 2021 compared with $64.9m at 30 June 2021 and $53.4m at 31 December 2020. This is comprised of cash and cash equivalents of $65.3m (30 June 2021: $62.2m; 31 December 2020: $50.6m) and financial assets of $2.4m (30 June 2021: $2.7m; 31 December 2020: $2.8m). Financial assets represent cash deposits of more than three months' duration, held for trading bonds and marketable securities. The increase in cash and cash equivalents compared with the prior year resulted primarily from the proceeds of the sale of NGSoft in the first quarter of 2021 and the profit of 2021.

Divisional performance

Bio-Medical Division

On an underlying basis, to exclude the contribution to 2020 from the exceptional ventilator contract in the Eco-Med unit, revenue for the Bio-Medical division increased by 17.7% to $112.0m (2020: $95.2m), reflecting growth in all three units. Adjusted gross margin improved significantly to 36.5% (2020: 34.8%), primarily reflecting the Diagnostics

Bio-Medical Division							
	Reported				Adjusted*		
$m	2021	2020	Change		2021	2020	Change
Revenue	112.0	128.7	(12.9%)		112.0	95.2	17.7%
Gross margin	36.4%	36.3%	10bps		36.5%	34.8%	170bps
Operating profit	16.5	19.2	(13.7%)		17.0	10.1	67.4%

* Adjusted to present the results an ongoing operations basis by excluding (1) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (2) the amortisation of intangible assets for both years.

Networking and Cyber Division							
	Reported				Adjusted*		
$m	2021	2020	Change		2021	2020	Change
Revenue	28.0	54.9	(49.0%)		20.7	17.3	19.5%
Gross margin	36.9%	25.5%	1,140bps		45.0%	45.6%	(60)bps
Operating profit/(loss)	7.8	(4.9)	259.0%		(5.6)	(7.6)	25.3%

* Adjusted to present the results an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, and (2) the amortisation of intangible assets for both years.

unit's growth in sales and the increased contribution to revenue from molecular diagnostics and COVID-19 products, which are high-margin. Similarly, there was a substantial increase the Bio-Medical division's underlying operating profit to $17.0m (2020: $10.1m) due to the higher revenue and improvement in gross margin.

Networking and Cyber Division

Revenue for the year from ongoing operations in the Networking and Cyber division (excluding the contribution to both years from NGSoft) increased by 19.5%, reflecting growth in the both the Networking and Cyber units as market conditions increasingly normalised following the impact of COVID-19. This is demonstrated by revenue from ongoing operations for the second half of 2021 being 27.4% higher than the first six months of the year.

There was a slight reduction in gross margin from ongoing operations due to increased materials costs related to the global challenges of electronic component shortages. However, gross margin from ongoing operations was substantially higher than reported gross margin (which includes NGSoft), owing to the lower margin nature of the NGSoft business.

Operating loss from ongoing operations was reduced to $5.6m (2020: $7.6m) thanks to the higher revenue. A significant proportion of the operating expenses in the Networking and Cyber division is related to the investment in establishing our NFV offering, which we believe will be a key driver of our future growth.

On a reported basis, the Networking and Cyber division recorded an operating profit as a result of the capital gain of $13.0m from the sale of NGSoft.

Sale of NGSoft

As announced on 19 March 2021, during the year we sold our NGSoft subsidiary 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 that the best interests of BATM and all shareholders were served as a result of the disposal, generating a $13.0m capital gain from the sale of NGSoft.

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.

Revenue from ongoing operations*

$132.8m +18%

(2020: $112.6m)

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 Strong growth reflecting increased revenue in all business units.

EBITDA from ongoing operations*

$15.7m +139%

(2020: $6.6m)

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 Significant growth reflecting the increased revenue and an improvement in gross margin, particularly due to the greater contribution to revenue from higher-margin Diagnostic products.

R&D expenses for ongoing operations*

$8.6m +1%

(2020: $8.5m)

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 Continued development of novel technologies across the Group, with the slight increase due to increased investment in the Group's NFV technology.

Cash from operations

$8.7m –57%

(2020: $20.1m)

Description Amount of money the Group brings in from its operating activities before the impact of tax and interest payments.

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 Reduction is primarily due to the timing of payments, namely payment being made in 2021 to suppliers related to the Group's exceptional ventilator project that had been delivered in 2020.

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.

*Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (3) the amortisation of intangible assets for both years. Management believes that the results from ongoing operations provide a more meaningful indicator of the health of the business.

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

Our business units:

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

- In diagnostics, BATM develops its own equipment and reagents, with a focus on developing the most advanced molecular biology technologies
- The Eco-Med unit develops and supplies innovative solutions to treat pathogenic and agricultural 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

Strategic aim

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

Networking and Cyber Division

Our business units:

- **Networking**
  - **Edgility**
  - **Network Edge**
- **Cyber**

- The Networking unit services a wide need for access solutions to mobile, cloud and wireline infrastructure markets, with a focus on the network edge. Innovation is focused on edge computing and Network Function Virtualisation (NFV)
- 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, going forward, increasingly from the sale of software-only solutions, including on a licence model, to drive high gross margins and annual recurring revenue

Strategic aim

The Networking and Cyber division is focused on becoming the leading provider of edge computing – including Network Function Virtualisation (NFV) – technologies while supplying carrier ethernet and MPLS access solutions for the network edge, and cyber network monitoring and encryption

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 six 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. During the year, 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 the Networking unit'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.

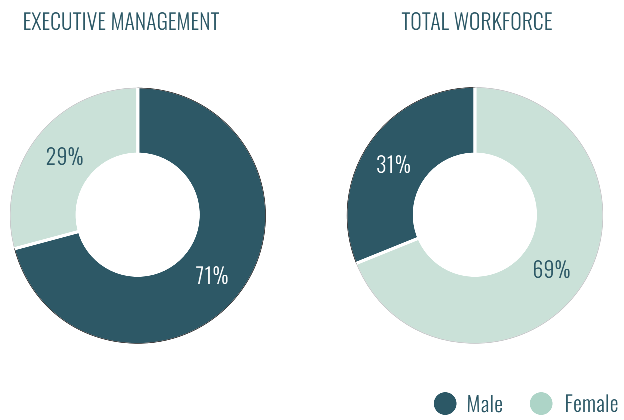
During the year 'round table' discussions were held between management and the workforce in the Networking unit, with the findings and results presented to, and discussed by, the Board. In our Diagnostics unit, we held discussions with employees in small groups (owing to COVID-19 restrictions and precautions) and also held at least eight meetings with the employee unions aimed at sharing information with employees as well as gaining employee feedback.

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, 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 and ad hoc social events designed to engender team spirit.

We prioritise training and development for our workforce, which we continued during 2021 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 2021, of the total workforce across the Group 69% of employees were female and 29% 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 48% of its workforce drawn from religious and ethnic minorities (a significantly higher proportion than within the country's overall population).

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.

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 2021, 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. In addition, we enabled employees to donate holiday days to members of the workforce that were required to take an extended leave of absence due to ill health.

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 2021, 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 2021, we:

— 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 $49.5k 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 2021, we continued to roll-out measures to reduce our impact on the environment, including completing:

- our programme of upgrades to energy and lighting systems in our plants and offices to lower energy equivalents; and
- the construction of two new diagnostics laboratories in Italy and Israel, with an emphasis on maximum efficiency in energy consumption and air purification.

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
- Celitron has 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 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.

Recommendations of the Task Force on Climate-related Financial Disclosures

As we describe above, sustainability is at the heart of our business. Both through our solutions and our actions, we are committed to protecting the environment to preserve our planet for the generations to come – and this is core to who we are. However, it is early days in our transition to formalising our approach and to establishing the framework to address the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

The areas where we have made initial progress against the TCFD recommendations are as follows:

Governance

- The overall responsibility for assessing and monitoring climate-related risks and opportunities is that of the Responsible Business Committee of the Board. For 2022, the Committee intends to increase the frequency of meetings for this purpose (among others).
- At present, management's role in assessing and managing climate-related risks and opportunities is primarily the undertakings of the CEO in this regard, who feeds into the workings of the Responsible Business Committee. In addition, the heads of our subsidiaries in the Eco-Med unit – namely, Celitron and Green Labs – are called upon to provide their insight based on their significant experience and expertise in environmental matters.

Strategy

- As described in the introduction to this Sustainability Review, our solutions are designed to address societal challenges of today and what we believe will be the demands of the future, which includes as a result of climate-related changes.
- In particular, it is as a result of this that, in recent years, we have taken the strategic decision to expand our Eco-Med and related activity – whether through the acquisition of Green Labs, commencing the provision of environmental analysis/testing from our labs in the Distribution unit; expanding into the provision of instruments for the recovery of insect protein (which has a role in combatting climate change and also in offering a source of protein that is less vulnerable to the effects of climate change); and, as announced during 2021, participating in the Great Green Wall Accelerator. This continues to be an important element of our strategy.

For the recommendations and principles of the TCFD that we have not addressed, this primarily reflects the fact that a) BATM is in the process of formalising and embedding a structured approach to ESG and b) the requirements regarding TCFD are new this year, which is a year during which a substantial amount of time was invested in overhauling the remuneration policy and in undertaking significant corporate transactional activity, namely the sale of our NGSoft subsidiary.

Nonetheless, we recognise the importance of more consistent climate-related disclosures by companies and are committed to placing greater focus on addressing the recommendations of the TCFD this year. To this end, we are in the process of engaging a specialist adviser to work with us to develop and implement a plan that would ensure we are taking climate change properly into account in our planning and operations. Accordingly, we expect to make strong progress towards addressing the recommendations of the TCFD during the period to the publication of our next annual report.

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
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 its operations elsewhere thereby helping to mitigate the impact on 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. The Group monitors the regulation that is relevant to its activities and, when needed, makes the necessary adjustments to maintain compliance.	↓
Business continuity	There are risks to business continuity from specific events, such as natural disasters and pandemics.	The Group operates in numerous locations and its manufacturing contractors are also located in multiple locations, which would help to mitigate the impact of a business disaster. 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. The Group also keeps a cash cushion to ensure that unexpected events don't cause unnecessary indirect adverse effects beyond the direct outcomes.	↓
Supply chain	A disruption in the supply of key raw materials or services to a manufacturing site could affect the Group's ability to make and deliver products to customers, leading to interruption in supply, lost revenue and damage to its reputation as a reliable supply partner. This could be resulting from market shortages, disruption due to global events and physical climate-related disruption of upstream supply chains.	The Group has established strong supplier relationships and collaborates with multiple vendors globally to broaden the geographical coverage of its access to available components. The Group requests that customers provide long-term committed forecasts and itself provides multi-year forecasts to its contract manufacturers. In addition, where appropriate, it reengineers products to enable them to have replaceable component alternatives. At times when availability of components is constrained, the Group seeks alternative sources and to increase inventory levels of both components and finished goods.	↑

	Risk	How we manage the risk	Risk change
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. The Group also does not have a significant reliance on one or few customers or partners.	—
Research & Development (R&D)	There is a risk that R&D programmes 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. Still, the Group considers certain level of risk as inherent to R&D activity, and views R&D activity as valuable to the Group despite that risk.	↓
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 reducing currency exposure. When this is not possible, the Group uses hedging transactions when needed to protect itself against potential currency risk. However, by its nature, in the Board's opinion, it is very difficult to hedge against currency fluctuations arising from translation in consolidation in a cost-effective manner.	↑

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 2024.

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 2021.

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 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. Dr. Marom was re-elected as a Director of BATM in December 2021.

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, TASE 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 2021.

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 was the Chairman of the Board of Israel Aerospace Industries Ltd, the leading Israeli aerospace and defence company, from 2017 to 2021, and he has been the Chairman of the Board 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 second three-year term, in accordance with Israeli law, was approved by shareholders in December 2019.

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 was appointed to the Board of BATM in November 2018 and her second three-year term, in accordance with Israeli law, was approved by shareholders in December 2021.

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 2021, the Board consisted of the Chairman, two Executive Directors and three independent Non-executive Directors (defined as 'external directors' under Israeli law) (Prof. Ari Shamiss stepped down as a Non-executive Director shortly before the year end, on 28 November 2021, following the conclusion of his three-year term as an external director). 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 preparation and approval of financial statements; distributions (dividends and buybacks); long-term objectives and commercial strategy; appointment, removal and compensation of senior management; major investments; risk management; corporate governance; engagement of professional advisers; political donations; internal control arrangements; and additional responsibilities and duties as defined in the Israeli Companies Law and the Company's Articles of Association. 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

Meeting attendance

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Dr. Gideon Chitayat, Chairman	8/8	4*	2*	–	1/1
Dr. Zvi Marom, CEO	8/8	4*	2*	–	–
Moti Nagar, CFO	8/8	4*	2*	–	1/1
Harel Locker, SID	7/8	4/4	2/2	0/0	0/1
Prof. Varda Shalev, NED	8/8	4/4	2/2	0/0	1/1
Prof. Ari Shamiss, NED	7/8**	4/4	2/2	0/0	1/1

*** Attended by invitation**

**** Retired as a Non-executive Director on 28 November 2021**

concerning the state of the business and performance. The Company Secretary, Mr. Yair Livneh, attends all Board and Board committee meetings. The Chairman met with Non-executive Directors, without the Executive Directors present, during the year.

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. The Board has also 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 53.

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. In accordance with Israeli law, the external directors – being Harel Locker and Prof. Varda Shalev – cannot be subject to annual re-election (but the law does allow for their removal from office if certain conditions are met). 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.

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 shareholders at a general meeting.

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.

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 Secretary, Mr. Yair Livneh, is present at every Board meeting and Board committee meeting. All of the Directors have access to Mr. Livneh's services.

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

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. The composition of the aforementioned committees and an overview of their activities are as detailed below.

Audit Committee
Members: Harel Locker (Chairman) 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. Following Prof. Ari Shamiss' retirement from the Board on 28 November 2021, Harel Locker assumed the role of Chairman of the Audit Committee. 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 (Chair) and Harel Locker

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 36 (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 56. The Company's current remuneration policy as recommended by the Remuneration Committee was approved at the Annual General Meeting of the Company on 14 December 2021. The remuneration policy is more fully explained in the Directors' Remuneration Report.

Nomination Committee
Members: Prof. Varda Shalev (Chair) and Harel Locker

The membership of the Nomination Committee consists of the Company's independent Non-executive Directors.

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 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;
- assessing and monitoring climate-related risks and opportunities; 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.

The Responsible Business Committee met once during the year where it discussed matters related to human resources, environmental aspects of the Company's operation and other ESG-related issues.

During the year, the Board created 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. Following an initial meeting between Prof. Shalev and the Networking unit'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. In addition, during the year "round table" discussions were held between management and the workforce in the Networking unit, with the findings and results presented to, and discussed by, the Board.

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 2021, the CEO and CFO attended:

- 10 scheduled meetings with UK-based investors (including two group presentations); and
- c. 16 scheduled meetings with Israel-based investors (in addition to at least 15 non-scheduled phone calls).

The Chairman of the Board attended the Annual General Meeting. There were no other meetings between the Non-executive Directors and the Company's shareholders during 2021.

As of 31 December 2021, 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 – 21.97%
- Lombard Odier Investment Managers – 26.83%
- Herald Investment Management – 4.17%
- Hargreaves Lansdown – 3.91%
- Interactive Investor – 3.33%

Corporate Governance Report CONTINUED

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. The Board ensures that the Company complies with Israeli legislation known as the Israeli Equal Rights for People with Disabilities Law, 5748-1988 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.

As noted above, the Board enhanced its efforts to monitor and develop workplace culture with the appointment during the year of a Non-executive Director, Prof. Varda Shalev, as 'Voice of the workforce' in the boardroom.

Throughout 2021, 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 2021, no conflicts arose that required the Board to exercise authority or discretion in relation to such conflicts.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting ("AGM") was held on Tuesday 14 December 2021. 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 9.8.7R, 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 2021, the Company complied with the provisions set out in the Code with the exception of the matters referred to below.

Provision	Exception and explanation
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 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 2021, Dr. Gideon Chitayat, Chairman, has served on the Board for 11 years – seven 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.	Compliance with this provision is not compatible with Israeli law as the fees for the external directors (as defined under Israeli law) are set in law.

Audit Committee Report

Dear Shareholder,

I am pleased to present the Audit Committee report for 2021, having resumed the role of Chairman of the Audit Committee on 28 November 2021 following the retirement as a Director of Prof. Ari Shamiss. 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.

MEMBERSHIP AND ATTENDANCE

The members of the Audit Committee are:

- Harel Locker (Chairman), 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 Mr. Locker as Chairman, has recent and relevant financial experience, including having been Chairman of the Audit Committee from his appointment to the Board in 2016 until 22 December 2020 (and, thereafter, remained a member until resuming the role of Chairman on 28 November 2021). During the year under review, Prof. Shamiss was a member, and the Chairman, of the Audit Committee until his retirement from the Board on 28 November 2021.

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 four meetings of the Audit Committee, which were attended by all members.

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 responsibility is to, among other things, ensure that the financial information published by the Group properly presents its activities to stakeholders in a way that is fair, balanced and understandable; monitor the scope and results of the external and internal audit; review whistleblowing procedures; consider compliance with legal requirements, accounting standards and the Listing Rules of the Financial Conduct Authority; and advise 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 2021, the Audit Committee's activities included:

- Examining the Annual Report for the year to 31 December 2020 and the Half-year Report for the six months to 30 June 2021 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. 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 2021 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, during the year under review the Board examined the Group's appliance of the recommendations of 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 reports to the Audit Committee on the Group's appliance of an internal auditor's recommendations regarding an IT disaster recovery programme and on pricing in a Hungarian subsidiary.

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.

Audit Committee Report *CONTINUED*

- 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

Deloitte Israel and Co., Certified Public Accountants, a Firm in the Deloitte Global Network, serves as the Group'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 and the 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 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 2021, the external auditor provided $48K of non-audit work (2020: $19K). Fees paid to Deloitte Israel and Co. are set out in note 9 to the financial statements.

Harel Locker
Audit Committee Chairman
13 April 2022

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 2021.

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, as prescribed in section 267A (b) of the Israeli Companies Law, 1999 ("Companies Law"), at the Annual General Meeting ("AGM") held in December 2021.

We engaged external experienced consultants in the area of executive remuneration packages both in Israel and London to provide independent and objective advice to assist in developing our Directors' Remuneration Policy. We consulted with our largest shareholders to ensure their views were taken into account. In addition, the policy was prepared with due consideration for the factors set out in Provision 40 of the UK Corporate Governance Code (the "Code"). We were delighted to receive support of 91.92% on the policy resolution. The newly approved Remuneration Policy takes effect from the start of the 2022 financial year and is intended to operate for a period of three years.

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 complies with the requirements of the Code and of the Companies Act 2006 and related legislation.

DIRECTORS' REMUNERATION REVIEW FINDINGS AND OUR NEW POLICY

When compared with other UK-listed businesses, differences were found between what is considered good practice in Israel and requirements expected by institutional shareholders and proxy advisory voting services in the UK. The previous pay structure differed from UK standards in a number of areas:

- Base salary was significantly below levels found in similar-sized UK listed companies (less than half).
- Annual bonuses have been paid in cash. It is common in UK companies for part of the bonus to be deferred in shares and therefore, from 1 January 2022, executive directors' bonuses will be paid in cash (67%) and through deferred share awards (33%). Annual bonus opportunities to date have been a function of the fixed pay cost to the Company. Going forward, bonus maximum will be expressed as a percentage of base salary, which is common in the UK. The CEO's and CFO's bonus opportunity for the first award to be granted in

Directors' Remuneration Report *CONTINUED*

2022 will be based on performance up to a maximum of 100% of base salary (this is broadly equal to the CEO's current bonus opportunity, noting that bonuses have been paid in cash to date and going forward will be paid in a mix of cash and deferred shares).

- Long-term incentives have been granted on an ad hoc basis with the last awards to executive directors being made in 2018 (CEO) and 2015 (CFO). From 2022, the intention is to make awards on an annual basis with such awards vesting after three years. This creates overlapping three-year cycles, which is common in the UK. Market value share options that vest after 2 and 3 years have been granted to date. A key finding of the review was that there is a clear expectation in the UK that long-term incentives should not vest before three years and that the award of nil/nominal cost options was far more common than market value options. From 2022, awards of nil/nominal cost options that vest after three years will be made that vest subject to the achievement of pre-set performance conditions and continued employment. Vested long-term incentive awards have not had two-year holding periods attached. Awards from 2022 will incorporate a two-year holding period for executive directors to provide further alignment between executives and shareholders.

- Annual bonuses and share options have been subject to a binary (achieved or not achieved) target. In line with good practice in this area, short- and long-term incentive measures will have a sliding scale of targets where appropriate.

- No shareholding guideline is currently in place. The new policy includes a 200% of base salary shareholding guideline for executive directors that applies during and post employment regarding long-term incentives granted and shares purchased from the date this policy takes effect.

The Remuneration Committee believes these changes will ensure compliance with good practice in the UK whilst retaining sufficient competitiveness to attract, retain and motivate high calibre executives. The revised bonus and long-term incentive quantum remain modest by UK standards.

BUSINESS PERFORMANCE AND 2021 INCENTIVE OUTCOMES

The 12 months to 31 December 2021 was a year of strong financial, operational and strategic delivery for BATM, with underlying growth in all of the Company's business units in both divisions. In particular, the Diagnostics unit of the Bio-Medical division performed exceptionally well – with increased sales of both COVID-19 and non-COVID products. In the Networking and Cyber division, the Company launched its edge computing and NFV offering, Edgility, which the Board expects will be a key driver of future growth. The Company also continued to execute on its value creation strategy with the disposal of NGSoft, which delivered a capital gain of $13m. Accordingly, EBITDA increased by 50.4% to $29.6m (2020: $19.7m) and, on an ongoing operations basis[1], by 138.8% to $15.7m (2020: $6.6m). Basic EPS increased by 46.8% to 3.26¢ (2020: 2.22¢) and the Company ended the year with cash and financial assets of $67.8m (31 December 2020: $53.4m).

The 2021 bonuses were based 80% on an adjusted EBITDA target and 20% on strategic objectives relating to the sale of NGSoft and strengthening senior talent in the organisation through recruitment. As a result of the strong performance outlined above, the EBITDA thresholds and strategic objectives were met and therefore a full bonus is due to the executive directors. In line with the previous policy, the bonus will be paid in cash. Overall, the Remuneration Committee believes the incentive outcomes for 2021 are appropriate and are aligned with overall company performance.

STAKEHOLDER VIEWS & ENGAGEMENT

As noted above, the current Remuneration Policy was approved by shareholders in December 2021. 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 Chair
13 April 2022

[1]Adjusted to exclude (1) the contribution to 2021 and 2020 from NGSoft, which was sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (3) the amortisation of intangible assets for both years.

REMUNERATION POLICY

This Remuneration Policy sets out the remuneration policy of BATM Advanced Communications Ltd (hereinafter – the "Company") for its executive and non-executive directors, and Officers (as that term is defined in section 1 of the Israeli Companies Law), which includes the CEO and other senior executives in the Company that report directly to the CEO of the BATM Group.

The Directors' and Officers' Remuneration Policy (the "Policy") was approved by shareholders at the December 2021 Annual General Meeting and took effect from 1 January 2022. The Policy was developed taking into account the mandatory provisions of the Israeli Companies Law on directors' and officers' remuneration as well as the principles of the UK Corporate Governance Code 2018. As a UK-listed company with a premium listing, the Policy also includes certain voluntary disclosures as set out in UK company law under the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

THE REMUNERATION COMMITTEE'S RESPONSIBILITIES

The BATM Remuneration Committee (the "Committee") was established by the Board of Directors of the Company and operates in accordance with the functions set forth in the Israeli Companies Law and UK corporate governance expectations. This is a separate independent Committee comprised of external independent directors who are appointed by the shareholders' meeting.

The 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, Chief Executive Officer, executive directors, non-executive directors and other senior management and "Officers" (as designated under Israeli Companies Law);

(2) Recommending appropriate remuneration packages and service contracts of the Executive Directors and Officers, and reviewing the ongoing appropriateness and relevance of the Remuneration Policy;

(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; and

(5) Reviewing the CEO's compensation policies for the overall management of BATM.

The Committee's terms of reference are available on the Company's website and are available in hard copy on request from the Company Secretary.

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 outstanding executives for key positions. The remuneration philosophy of the Company is to offer Executives remuneration which is comprised of a mix of fixed annual salary and benefits and variable performance – through annual bonus and/or long-term equity incentives.

The Company undertook an independent review of executive remuneration and has sought to create an appropriate balance that takes into account BATM's Israeli origins and the pay expectations for a company listed on the UK Main Market, in particular the structure of variable pay and good practice expectations. The Committee established the following main remuneration objectives:

- 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.
- 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 a long-term equity-based incentive remuneration reward that vest on a rolling basis over a minimum of three years. As a way of motivating and retaining executives, the Company

Directors' Remuneration Report CONTINUED

believes that packages should include a meaningful share component to further align the interests of the senior Executives with the interests of the shareholders.

- The overall level of salary, incentives, pension and other benefits should be competitive (but not excessive) when compared with other companies of a similar size and global spread and should be sufficient to attract, retain and motivate Executive Directors and Officers of superior calibre in order to deliver long-term success.
- 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.
- The Policy should ensure transparency and accountability and encourage a high-performing culture in the Company.

CONSIDERATIONS WHEN DETERMINING REMUNERATION POLICY

In forming our Policy during the course of 2021, and in planning for its implementation, good practice in both Israel and the U.K. was a key touchstone. We were careful to take full account of the remuneration-related provisions in the UK Corporate Governance Code (the Code) in our design considerations. With regard to how we sought to comply with the six factors outlined in Provision 40 of the Code for example, the following are worth noting in particular:

- **Clarity** – Our remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of Executive Directors and Officers with those of our shareholders. Our Policy is transparent and has been clearly articulated to our shareholders (during prior consultation).
- **Simplicity** – Our remuneration framework adopts the typical model found in the UK and is straightforward to communicate and operate.
- **Risk** – Our incentives have been structured to ensure that they are aligned with the Board's system of risk management and risk appetite. Inappropriate risk-taking is discouraged and mitigated through, for example (i) the operation of arrangements that provide an appropriate balance of fixed pay to short- and long-term incentive pay, (ii) the deferral of a proportion of annual bonus into shares and the operation of a post-vesting holding period for the LTIP (which replaces the more geared share option structure operated previously), (iii) the operation of significant in-employment and post-employment shareholding guidelines, and (iv) the operation of robust recovery and withholding provisions.
- **Predictability** – Our incentive plans are subject to individual caps and the Committee has full discretion to alter the pay-out level or vesting outcome to ensure payments are appropriately aligned with the underlying performance of the Company.
- **Proportionality** – Ensuring Executive Directors and Officers are not rewarded for failure underscores our approach to remuneration, e.g. the significant proportion of our packages is based on long-term performance targets linked to the KPIs of the Company, through our ability and openness to the use of discretion to ensure appropriate outcomes. There is a clear link between individual awards, delivery of strategy and our long-term performance. As mentioned above, formulaic incentive outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance and wider workforce remuneration policies and practices.
- **Alignment to culture** – The Board sets the framework of KPIs against which we monitor the performance of the Company and the Committee links the performance metrics of our incentive arrangements to those KPIs. We are also keen to foster a culture of share ownership throughout the Company and operate all-employee share arrangements in pursuit of this objective.

DIRECTORS' & OFFICERS' REMUNERATION POLICY TABLE

The table below sets out the main components of the Remuneration Policy for executive and non-executive directors and Officers (as that term is defined in section 1 of the Israeli Companies Law), together with further information on how these aspects of remuneration operate. The Policy was approved by shareholders at the 2021 AGM and the incentive arrangements set out in this Policy apply from the financial year commencing 1 January 2022.

The Committee has discretion to amend remuneration and benefits to the extent described in the table and the written sections that follow it.

Base Salary	
Purpose and link to strategy	To provide competitive fixed remuneration. To attract and retain Executive Directors and Officers of superior calibre in order to deliver long-term business success. Reflects individual experience, achievements, expertise, education, skills, role and responsibility. The Committee's aim is to position salaries around the mid-market level of companies of a similar size, scale and complexity.
Operation	Normally reviewed annually by the Committee with increases typically effective from 1 January. Increases take into account: ● The executive's skills, experience, education, qualifications, achievements, expertise, role and responsibilities ● Affordability ● Pay increases for the workforce ● Performance ● External market trends ● Internal differentials/relativities ● The value of total remuneration ● The Committee's judgement Significant adjustments are infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance. Other factors which will be taken into account will include pay and conditions elsewhere in the Group, progression within the role, and competitive salary levels in UK premium-listed and Israeli publicly-listed companies of a broadly similar size and complexity.

Directors' Remuneration Report CONTINUED

Maximum potential value	No prescribed maximum or maximum increase. The normal approach will be to limit increases to the average level across the wider workforce, though increases above this level may be awarded subject to Committee discretion to take account of certain circumstances, such as those stated under 'Operation'. On recruitment or promotion, the Committee will consider previous remuneration and pay levels for comparable companies (for example, companies of a similar size and complexity, industry sector or location), when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent. The Committee also takes into account the ratio between the total remuneration of the applicable Executive Director and/or Officer 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 or evaluated 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.
Performance targets	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the 'Operation' column of this table.

Benefits	
Purpose and link to strategy	To provide competitive fixed remuneration. To attract and retain Executive Directors and Officers of superior calibre in order to deliver long-term business success.
Operation	Executive Directors, Officers and all employees in Israel may be entitled to benefits such as a study fund/Further Education funds, expansion of mandatory benefits (pension and end-of-work compensation) beyond the salary levels on which they are mandatory or carry tax benefits, travel-related benefits including a car or car allowance, use of mobile phone and newspaper. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit. The Company may also arrange for reasonable insurance cover for Executive Directors (see 'Director and officer holder insurance' below). Executive Directors and Officers may be eligible to participate in future all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.

Maximum potential value	Study fund contributions are common in Israel and under this arrangement the employer deposits 7.5% of base salary to a study fund (payable to the employee with no tax after 6 years), and deducts 2.5% from the employee's base salary to be also deposited to this fund. It is not possible to calculate in advance the cost of some benefits, and therefore a maximum potential value is not pre-determined.
Performance targets	Not applicable.

Pension	
Purpose and link to strategy	To reward sustained contributions by providing retirement benefits.
Operation	The Company funds contributions to an Executive Director or Officer's pension as appropriate through contribution to a pension fund.
Maximum potential value	In line with all employees and in line with mandatory requirements in Israel, BATM contributes 6.5% of base salary towards pension and is obliged to deduct 6% of salary from the employee's base salary and deposit it into the pension fund. In addition, at the end of employment all Israeli employees (including Executive Directors and Officers) are entitled to end-of-employment compensation of 1 basic salary for every year of employment (1 month for every 12 months, or 8.333%). Israeli employers are bound to make ongoing deposits of at least 6% of the employee's (including Executive Directors and Officers) salary to the pension fund for end-of-employment compensation.
Performance targets	Not applicable.

Annual Bonus	
Purpose and link to strategy	Rewards the achievement of annual financial and business targets aligned with the Group's KPIs. Deferred element encourages long-term considerations and discourages excessive risk taking.
Operation	Bonus is based on performance in the relevant financial year. Any payment is discretionary and will be subject to the achievement of performance targets. Bonus is normally paid in cash, except one-third of any bonus which is deferred into an award over Company shares for two years. In case of immediate tax obligations due to award of such shares, and subject to the provisions of the Company's Share Incentive Plan, the receiver of the shares will be allowed to exercise shares immediately to the extent needed to finance coverage of tax obligations. Bonuses are not contractual and are not eligible for inclusion in the calculation of pension arrangements. Recovery and withholding provisions apply in cases of specific circumstances (see 'Recovery of Variable Remuneration' below). Dividends or dividend equivalents may accrue on deferred shares. The bonus scheme will apply from financial year 2022.
Maximum potential value	Capped at 125% of annual base salary. In the first full financial year of the Policy only (being the year ending 31 December 2022), the bonus opportunity will be set at 100% of salary for the CEO and CFO.

Directors' Remuneration Report CONTINUED

Performance targets	The Committee sets performance measures and targets that are appropriately stretching each year, taking into account key strategic and financial priorities and ensuring there is an appropriate balance between incentivising Executive Directors and Officers to meet targets, while ensuring they do not drive unacceptable levels of risk or inappropriate behaviours. The Remuneration Committee will set bonus criteria at the start of the year which reflect the short-term financial and strategic objectives of the Group. For directors and the CEO, the bonus will be based on performance and on measurable criteria; but bonus of up to 25% of annual salary can be based on strategic, non-measurable criteria and considering the director's / CEO's contribution to the Company. A graduated scale of targets is normally set for each financial measure, with no pay-out for performance below a threshold level of performance. The Committee has discretion to amend the overall bonus pay-out should the outcome not reflect the Committee's assessment of overall business and/or individual performance.

Long Term Incentive Plan (LTIP)	
Purpose and link to strategy	Designed to align Executive Directors' and Officers' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns.
Operation	Awards of conditional shares or nil or nominal cost option awards which normally vest after three years subject to the achievement of performance targets and continued service. For Executive Directors, an additional two-year holding period applies after the end of the three-year vesting period. Sufficient awards may be sold during the holding period to satisfy any tax liabilities owed. Recovery and withholding provisions apply in cases of specific circumstances (see 'Recovery of Variable Remuneration' below). Dividend equivalents may be paid for awards to the extent they vest. It is expected that the first awards will be made in financial year 2022. The Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to regard of the overall performance of the Company or the grantee's personal performance. The Committee also retains discretion to adjust provisions of LTIP regarding acceleration, change of ownership, restructuring and any other circumstances that justify adjustment of provisions, considering also the provisions of the Share Incentive Plan. Any options shall not be exercisable more than ten years after the date of grant.

Maximum potential value	Executive Directors and Officers may receive an award with a face value of up to 125% of basic salary per annum in any financial year. For the first award to be granted in 2022, awards to Executive Directors will be limited to 100% of salary. The Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant. A 10% in 10 years' dilution limit governing the issue of new shares to satisfy all share scheme operated by the Company will apply.
Performance targets	Performance measures may include, and are not limited to, EPS, absolute or relative total shareholder return, other financial measures, strategic measures and/or ESG-related objectives. The Committee retains discretion to set alternative weightings or performance measures for awards over the life of the Policy. For directors and the CEO, the LTIP will be based on performance in long-term view and on measurable criteria; but LTIP of up to 25% of annual salary can be based on strategic, non-measurable criteria and considering the director's / CEO's contribution to the Company. 100% of awards vest for stretch performance, up to 25% of an award vests for threshold performance and no awards vest below this. Underpins may apply.

Share Ownership Guidelines	
Purpose and link to strategy	To increase alignment between Executive Directors and shareholders.
Operation	Nil or nominal cost options which have vested but are yet to be exercised and deferred bonus awards subject to a time condition only may be considered to count towards the in-employment shareholding on a notional post-tax basis.
Maximum potential value	Executive Directors are expected to build up and maintain an in-employment shareholding worth 200% of salary. Executive Directors are normally expected to hold shares at a level equal to the lower of their shareholding at cessation and 200% of annual base salary for two years post-employment (excluding shares purchased with own funds and any shares from share plan awards made before the approval of this Policy).
Performance targets	Not applicable.

Non-Executive and Non-External Directors' Salary and Benefits	
Purpose and link to strategy	Israeli publicly listed companies often have Directors that are both Non- Executive and Non-External, such as the current Chairman. Due to their status and relationship to the Company, such Directors are distinguished from independent External Directors (see table below). Non-Executive and Non-External Directors should be paid in line with the demands of the roles at a level that attracts high calibre individuals and reflects their experience and knowledge.

Directors' Remuneration Report *CONTINUED*

Operation	Non-Executive and Non-External Directors may receive salary in cash or ordinary shares for their contribution and efforts for the Company. Salary is typically set by reference to a proportion of the salary for a full-time Executive Director role (reflecting the part-time nature of the role). In addition, the Non-Executive and Non-External Director may receive modest benefits on the same basis as an Executive Director (as set out in the policy table above). There are currently no plans for Non-Executive and Non-External Directors to participate in the variable remuneration plans offered by the Company to its Executive Directors and Officers. Any future participation by Non-Executive and Non-External Directors in the Company's variable remuneration plans would be subject to prior approval by the Company's shareholders.
Maximum potential value	No prescribed maximum or maximum increase. Salary is normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. Any increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the same factors that apply to Executive Directors.
Performance targets	Not applicable.

External Directors' Fees and Benefits	
Purpose and link to strategy	As an Israeli publicly listed company, BATM's Board must include at all times, at least two external (public) independent non-executive directors (known as 'External' Directors) that fulfil the mandatory requirements and hold the qualifications laid down in the Israeli Companies Law. External Directors should be paid in line with the demands of the roles at a level that attracts high calibre individuals and reflects their experience and knowledge.

Operation	External Directors may receive remuneration in cash or ordinary shares which includes an annual fixed fee and a per-meeting participation fee, all as prescribed in the Israeli Companies Regulations ((Rules Regarding Compensation and Expense Reimbursement of External Directors) 2000 (the "Israeli 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 Israeli Compensation Regulations. The Company's remuneration policy with respect to the External Directors is that it offers each of them the relevant scale of annual fixed fee and "per-meeting" participation fee specified in the Israeli Compensation Regulations which apply to the Company. The External Directors are not eligible to participate in the variable remuneration plans offered by the Company to its Executive Directors and Officers.
Maximum potential value	No prescribed maximum fee or maximum fee increase. Fees are normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. Increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the factors set out in the 'Operation' column of this table.
Performance targets	Not applicable.

Recovery of variable remuneration
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 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 will 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.

With regard to LTIP awards, in exceptional circumstances and/or cases of a restatement of any of the Company's financial statements, the Committee has the discretion to reduce future rewards of LTIs to the relevant senior executive.

Director and office holder insurance
The Israeli Companies Law specifies rules and boundaries for directors' and officers' liability insurance. Accordingly, it is common practice for Israeli listed companies to provide directors and officers with liability insurance, and to include details of director insurance provisions within the remuneration policy (since such insurance is classed as remuneration under Israeli law). The following therefore summarises the ability of the Company to arrange insurance to Directors and Officers for liabilities incurred during office.

Subject to any applicable law and to the Company's articles of association, and in accordance with the common practice in Israeli listed companies, the Committee will be authorised to approve engagements of the Company in insurance

Directors' Remuneration Report *CONTINUED*

policies to cover liability of Directors and Officers in the Company and in other entities wholly or partly held by the Company, provided that the total yearly cover within the insurance policy will not exceed USD 40,000,000 for any specific year or specific claim. Such policies will be entered into on normal market terms and will not be such that they may materially affect the profitability of the Company, its assets or obligations, and that the insurance premium and excess will be in common market terms and will not be such that may materially affect the profitability of the Company, its assets or obligations, and will be according to offers received from bodies that are not related to the Company.

ILLUSTRATION OF THE APPLICATION OF THE POLICY

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our Policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The chart below illustrates how the Policy would function for minimum, on target and maximum performance for each Executive Director.

Assumptions for the Chart below

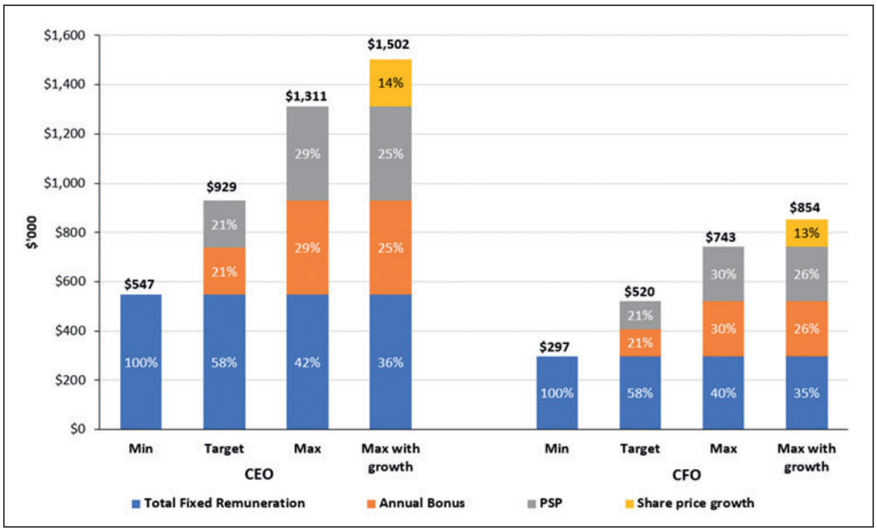
- Minimum: Comprises fixed pay made up of base salary, the value of pension and other benefits at the value included in the single total figure of remuneration table for 2020.
- On-target: bonus achieved at 50% of the maximum opportunity for 2022, i.e. 50% of salary and with the on-target level of vesting under the LTIP taken to be 50% of the face value of the 2022 award at grant, i.e. 50% of salary.
- Maximum: full bonus achieved and LTIP vesting in full i.e. 100% of salary bonus pay-out and LTIP awards to the value of 100% of salary vesting.
- Share price appreciation of 50% has been assumed for the LTIP awards under the final 'Max with growth' scenario (but no share price appreciation has been assumed for the first three sections).

SELECTION OF PERFORMANCE MEASURES AND TARGETS

Annual bonus

The annual bonus arrangements are focused on the achievement of the Company's short- and medium-term financial objectives, with financial measures selected to closely align the performance of the Executive Director or Officer with the strategy of the business and with shareholder value creation. Where non-financial objectives are set, these are chosen to support the delivery of strategic milestones and which link to those KPIs of most relevance to each Director or Officer's individual responsibilities.

Details of the measures to be used for the 2022 annual bonus will be determined at the start of the 2022 financial year and will be disclosed in next year's remuneration report.



Long-Term Incentive Plan

The aim of the LTIP is to motivate Executive Directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer-term shareholder returns.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. It is expected that the first LTIP grant under this Policy will be in 2022.

Measurable Targets
Measurable targets / performance metrics for the annual bonus and / or for LTIP schemes can involve a number of BATM's KPIs and may include any number of the following:

- Work plan targets
- Budget targets
- Accomplishment of specific projects
- Meeting pre-defined goals of -
    - Revenue
    - Profit
    - EBITDA
    - Operating profit
    - Cash from operating activities
    - Cash flow
    - Share price
    - Earnings per share
    - Return on invested capital
    - Return on capital employed
    - Total shareholder return
    - Absolute total shareholder return
    - Relative total shareholder return

FLEXIBILITY, DISCRETION AND JUDGEMENT

The Committee operates the annual bonus and LTIP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments
- determining the extent of vesting
- treatment of awards and/or payments on a change of control or restructuring of the Group
- whether an Executive Director or an Officer is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year
- the Committee also retains the ability, within the Policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards with, in the case of LTIP awards held by Executive Directors, adjusted performance conditions being not materially less difficult to satisfy than the original conditions would have been but for the relevant event(s)
- the ability to override formulaic outcomes in line with this Policy

All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this Policy. Any discretion exercised (and the rationale) will be disclosed in the relevant Directors' & Officers' remuneration report detailing the payment outcome.

LEGACY ARRANGEMENTS

For the avoidance of doubt, in approving this Policy, authority is given to the Company to honour any previous commitments entered into with current or former Directors and Officers and in scope employees (such as the BATM Employee Share Option Plan (ESOP) share awards granted before the approval of this Policy) that remain outstanding.

APPROACH TO RECRUITMENT REMUNERATION

The Committee will take into consideration a number of factors, including the current pay for other Executive Directors and Officers, 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 which is set in line with this Policy and the mandatory pension scheme levels in the Israeli market.

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

Buy-Out awards: Where an individual forfeits outstanding variable opportunities or contractual rights at a previous employer as a result of his/her recruitment by the Company, the Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances

Directors' Remuneration Report *CONTINUED*

of recruitment, determined on a case-by-case basis. Where appropriate, the Committee may choose to apply performance conditions to any of these awards.

SERVICE CONTRACTS, LETTERS OF APPOINTMENT AND POLICY ON PAYMENTS FOR LOSS OF OFFICE

As part of the incentives under this 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 executives. The retirement and termination arrangements may include one or more of the following, as may be approved by the Committee and the Board (unless the termination is in circumstances that negate the payment of severance pay pursuant to applicable law):

- The Company may terminate an Executive Director or Officer's employment (as CEO or CFO) with immediate effect by making a payment in lieu of notice consisting of basic salary (but excluding any bonus, commission, benefits or holiday entitlement) during the notice period. Their office as directors may be terminated by the Company's shareholders' meeting.

- A pro-rated bonus may be paid subject to performance, for the period of active service only. Outstanding share awards may (if at all) vest in accordance with the provisions of the various scheme rules. Any outstanding deferred bonus awards will continue on the normal timetable, save for forfeiture for serious misconduct. Clawback and malus provisions will also apply. On a change of control, awards will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer.

- Under the LTIP, any outstanding awards will ordinarily lapse, however in 'good leaver' cases the default treatment is that awards will vest subject to the original performance condition and time proration and the holding period will normally continue to apply. For added flexibility, the rules allow for the Committee to decide not to pro-rate (or pro-rate to a lesser extent) if it decides it is appropriate to do so, and to allow vesting to be triggered at the point of leaving by reference to performance to that date, rather than waiting until the end of the performance period if the Committee so decides. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and normally be time pro-rated.

- The Group may pay outplacement and professional legal fees incurred by executives in finalising their termination arrangements, where considered appropriate, and may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

- The Committee may approve change in engagement type from service contract to employment or from employment to service contract, as long as there is no material change in engagement terms and in the costs for the Company.

The date of each Executive Director's contract is:

Name	Date of service contract	Duration
Dr. Zvi Marom	Current service contract as CEO - from 1.1.2018 – was renewed on 14.12.2021. Re-elected as director on 14 December 2021.	Service contract – until 31 December 2022. Re-election as director was for a one-year term until the next AGM of the Company.
Moti Nagar	Employed as CFO since 2014. Re-elected as director on 14 December 2021.	Re-election as director was for a one-year term until the next AGM of the Company.

CHAIR AND EXTERNAL DIRECTORS

The External Directors are 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. The Chair's office as chair may be terminated by the Company's Board, and as a director by the shareholders' meeting.

For the Chair and each External Director, the effective date of their latest letter of appointment is:

Name	Date of appointment	Term
Dr. Gideon Chitayat	14 December 2021	One-year until the next AGM of the Company
Harel Locker	5 December 2019	Three years, up for renewal in the 2022 AGM
Prof. Varda Shalev	14 December 2021	Three years

EXTERNAL APPOINTMENTS

The Company does not prohibit its Directors from being appointed as directors in other companies, provided that such appointment will not create a conflict of interest between his/her position in the Company and his/her external appointment. In each such instances, the Company's Director may retain the remuneration paid to him/her by the other company. The Company provides a full disclosure on each such instance in its Directors' & Officers' remuneration report contained in the Company's Annual Report.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on Directors' and Officers' remuneration. The Committee seeks to engage directly with major shareholders and their representative bodies on changes to the Policy. The Committee also considers shareholder feedback received in relation to the remuneration-related resolutions each year following the AGM. This, plus any additional feedback received from time to time (including any updates to shareholders' remuneration guidelines), is then considered as part of the Committee's annual review of remuneration policy and its implementation.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

The Committee closely monitors the pay and conditions of the wider workforce and the design of the Directors' and Officers' Remuneration Policy is informed by the policy for employees across the Group.

While employees are not formally consulted on the design of the Directors' and Officers' Remuneration Policy, pay levels and increases across the business are taken into account when setting Directors' and Officers' remuneration. In February 2021, Varda Shalev was appointed as "voice of the workforce". In this role, 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, including remuneration.

DIFFERENCES IN PAY POLICY FOR EXECUTIVE DIRECTORS AND SENIOR EMPLOYEES COMPARED TO EMPLOYEES MORE GENERALLY

As for the Executive Directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for Executive Directors and Officers, the Committee will take into account salary increases and pay and employment conditions across the wider workforce.

ANNUAL REPORT ON REMUNERATION

This section of the Directors' Remuneration Report describes the operation of the Remuneration Policy.

REMUNERATION COMMITTEE

Roles and responsibilities

The Remuneration Committee works within its terms of reference, and in accordance with the functions set forth in Israeli Companies Law, to make recommendations to the Board of Directors of the Company and to decide whether to approve certain transactions and whether to exempt certain transactions from approval. The Remuneration Committee's full terms of reference are available on the Company's website.

Remuneration Committee members and meetings

The Remuneration Committee consists of all the Non-executive Directors (excluding the Chairman of the Board). The members of the Remuneration Committee during the year under review were:

- Prof. Varda Shalev (Chair)
- Harel Locker
- Prof. Ari Shamiss (until 28 November 2021)

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 is provided advice from independent consultants. During the year the Committee received advice from FIT Remuneration Consultants LLP ("FIT") who assisted the Remuneration Committee in the development of the Directors' and Officers' Remuneration Policy and on implementation related matters. FIT is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. FIT provides no other services to BATM.

Key activities during the year

The Committee held two meetings during the year to 31 December 2021.

The Remuneration Committee undertook the following activities in this period:

- Carried out a comprehensive review of executive remuneration, receiving advice from independent UK-based remuneration consultants
- Discussed and approved the new remuneration policy, which was approved by 91.92% of shareholders at the AGM held on 14 December 2021
- Undertook a shareholder consultation exercise to explain the key terms of the new remuneration policy
- Determined the outcome of the 2020 annual bonus
- Set the targets and measures for the 2021 annual bonus

Single total figure of remuneration (audited)

The tables below set out the single total remuneration figures for each director for 2021 and the prior year.

2021	Salary/Fees $'000	Performance Bonus $'000	Total Remuneration $'000
Executive Directors			
Zvi Marom, CEO[(1)]	584	438*	1,022
Moti Nagar, CFO[(2)]	317	158**	475
Non-executive Directors			
Gideon Chitayat	56	–	56
Harel Locker	58	–	58
Varda Shalev	62	–	62
Ari Shamiss[(3)]	57	–	57

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

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 the aforementioned Service Agreement. His service fee (which is paid in New Israeli Shekels) in 2021 and 2020 was the same, with the variation in the exact amounts when presented in reporting currency (US$) being based on currency exchange.

   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 remained in his position at the Company as of the date of each vesting and that the Group achieved a gross profit of at least $33 million for the previous calendar year in which the vesting date falls. Those conditions were met, and therefore the options were fully vested.

2. The CFO salary is paid in New Israeli Shekels: the difference in the reported salary (in US$) between 2020 and 2021 is due to currency fluctuation - the underlying salary remained the same. For 2020 and 2021, the salary includes social and pension benefits as required by Israeli law for all employees.

3. Ari Shamiss stepped down from the Board during the year, on 28 November 2021.

* The bonus criteria for the CEO are according to the management service contract between the Company and Nostradamus Technology Services Ltd that was approved by the shareholders at the EGM held on 6 June 2018 and extended until 31 December 2022 at the AGM held on 14 December 2021, and the award of his bonus for 2021 received approval by the Remuneration Committee and the Board of Directors on 24 February 2022.

** The bonus criteria for the CFO are according to the decisions of the Remuneration Committee and the Board of Directors, and the award of his bonus for 2021 received approval by the Remuneration Committee and the Board of Directors on 24 February 2022.

As at 31 December 2021, the total liability for payment related to wages for the Executive Directors was $79 thousand (31 December 2020: $73 thousand), which was paid in January 2022 (2020 liability was paid in January 2021).

Non-Executive Directors

In determining the remuneration to its Non-executive Directors (who, in 2021, other than the Chairman, were all "external directors" under Israeli law), the Group was required to comply with Israeli law that formulates the kind and amounts of remuneration and expenses that an Israeli public company may pay 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 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 equity of the relevant listed company as recorded in its last audited financial statements. In compliance with the Compensation Regulations, the Company does not pay any additional amounts to the external directors. The Compensation Regulations do not apply to the Chairman who is not an "external director" in terms of Israeli Law but is considered an independent director and his remuneration is set out below.

2021 annual bonus outcome

The maximum annual bonus for Dr. Zvi Marom and Mr. Moti Nagar for 2021 was 75% of annual service fee and 50% of annual total fixed pay 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

Performance Measure	Weighting	Threshold (11.11% Payable)	Max (100% Payable)	Actual FY21 Achievement	Bonus Outcome (% Of Total Bonus)
EBITDA	80%	$4.3m	$8.2m	$29.6m	80%

The other 20% of the bonus was based on personal criteria. The objectives and their achievement are set out in the table below.

Objectives	Achievements in 2021	Bonus Outcome (% of Total Bonus)
Successful completion of the sale of NGSoft Recruitment of senior employees to strengthen the Group's management	Achieved successful completion of the NGSoft sale Recruited several senior employees, both at the Group level and in the individual activities	20%

This resulted in a full bonus pay-out, equal to 75% of the CEO's annual service fee, being $438k.

Mr. Moti Nagar, CFO

	Weighting	2021 Target	Achievement in 2021	Bonus Outcome (% Of Total Bonus)
EBITDA	80%	$25.8m	$29.6m	80%

The other 20% of the bonus was based on personal criteria. The objectives and their achievement are set out in the table below.

Objectives	Achievements in 2021	Bonus Outcome (% of Total Bonus)
Successful completion of the sale of NGSoft Recruitment of senior employees to strengthen the Group's management	Achieved successful completion of the NGSoft sale Recruited several senior employees, both at the Group level and in the individual activities	20%

This resulted in a full bonus pay-out equal to 50% of the CFO's total fixed pay, being $158k.

The Committee considered the formulaic outturn in the context of wider Company and individual performance and felt that the result was warranted. Therefore, no discretion was used to alter the outturn.

The bonus for both directors will be payable in cash.

For the 2022 bonus, payable in 2023, in line with the Directors' Remuneration Policy approved in December 2021, bonus will be based on base salary (rather than the annual service fee or total fixed pay), with one-third of any bonus earned deferred into shares for two years.

Long-term incentive awards granted in 2021

No long-term incentive awards were granted to executive directors in 2021. An award was last made to the CEO in June 2018 and the CFO's last award was in May 2015.

Share interests

	Shares owned outright (31/12/21)	Shares owned outright (31/12/20)	Awards unvested and subject to performance conditions as at 31/12/21	Options unvested and not subject to performance conditions as at 31/12/21	Options vested but not exercised as at 31/12/21	Shareholding as a percentage of salary/service fee
Executive Directors						
Zvi Marom	96,794,500	96,794,500	–	–	4,000,000	18,886%*
Moti Nagar	–	–	–	–	906,200	0%
Non-Executive Directors						
Gideon Chitayat	3,159,000	3,159,000	–	–	–	6,426%*
Harel Locker	–	–	–	–	–	0%
Varda Shalev	–	–	–	–	–	0%
Ari Shamiss	–	–	–	–	–	0%

* Share price on the LSE on 31 December 2021: £0.84.

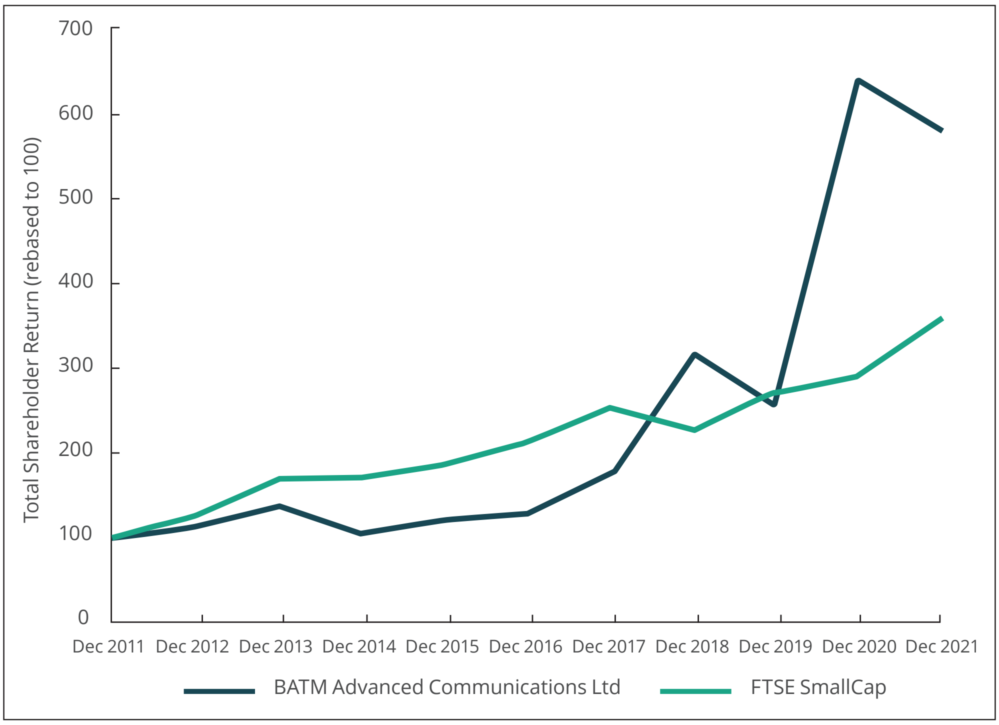
Zvi Marom's vested options have an exercise price of £0.2695 and Moti Nagar's vested options have an exercise price of £0.1269

Directors' Remuneration Report *CONTINUED*

TSR performance chart

TSR performance

The chart below shows the value of £100 invested in the Company on 1 January 2012 compared with the value of £100 invested in the FTSE SmallCap Index at the same date and the movement in value until 31 December 2021. We have chosen the FTSE SmallCap Index as it is a widely recognised index containing companies of a broadly similar size to BATM.



Ratio of CEO pay to average full-time employee pay

The ratio of CEO pay to average full-time employee pay during 2021 was 11:1 (2020: 10:1) for employees of Israeli companies in the Group and 34:1 (2020: 26:1) for the whole Group. The details of CEO pay can be found on page 51. Average full-time employee pay (for the whole Group), including employees being paid under service contracts, in 2021 was $29,667 (2020: $36,638). (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).

Relative importance of spend on pay

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

	2021 ($m)	2020 ($m)	% change
Employee remuneration costs	29.5	39.9	(26.1%)
Distribution to shareholders	4.3	–	–
Profit (EBITDA on reported basis)	29.6	19.7	50.4%

Percentage change in directors' remuneration and employee pay

The table below shows the percentage change in each directors' remuneration (on an actual currency basis). The prior year change has also been shown and this will build up over time to cover a rolling five-year period.

	Salary/Fee		Benefits		Annual Bonus	
	2021	2020	2021	2020	2021	2020
Executive Directors						
Zvi Marom	0%	0%	0%	0%	0%	173%
Moti Nagar	0%	0%	0%	0%	0%	24%
Non-executive Directors						
Gideon Chitayat	0%	0%	–	–	–	–
Harel Locker*	4.3%	0%	–	–	–	–
Varda Shalev*	(4.2%)	8.8%	–	–	–	–
Ari Shamiss*	(9.9%)	5.3%	–	–	–	–

* The number of meetings attended by each director may change from one year to another.

Payments for loss of office and/or payments to former directors (audited)

No payments for loss of office, nor payments to former Directors were made during FY21.

Ari Shamiss was a non-executive director of the Group and stepped down from the Board on 28 November 2021. Ari was paid his fee until this date and did not receive any payment in lieu of notice.

Statement of shareholding voting

At the AGM that took place on 14 December 2021 there were five remuneration related resolutions:

Resolution	Votes for (including discretionary)	% for	Votes against (excluding withheld)	% against	Total (excluding withheld and third-party discretionary)	Withheld
Approval of the report of the Remuneration Committee	279,405,938	99.63	1,051,158	0.37	280,457,096	0
Approval of the Directors' and Officers' Remuneration Policy	156,548,999	91.92	13,754,743	8.08	188,412,596*	18,108,854
Approval of the CFO's 2021 bonus relating to FY2020 performance	262,716,534	93.67	17,740,561	6.33	280,457,096	1
Authorisation for the Remuneration Committee to determine bonus and LTIP grants for executive directors	266,702,351	95.10	13,754,743	4.90	280,457,096	2
Authorisation for the Remuneration Committee to update employment and service agreements	177,432,821	96.61	6,229,774	3.39	188,412,596*	4,750,001

* In accordance with Israeli law, shareholders defined as a 'controlling shareholder' or as having a 'personal interest' are ineligible to vote for certain resolutions.

Directors' Remuneration Report *CONTINUED*

Implementation of Policy for FY22

<table>
<tr><th>Component of Pay</th><th>Implementation for FY22</th></tr>
<tr><td>Base salaries</td><td>CEO: $382,000
CFO: NIS 720,000
The base salaries for Executive Directors remain unchanged.</td></tr>
<tr><td>Benefits and pension</td><td>In line with the Directors' Remuneration Policy and past practice, the Company contributes towards pension in line with mandatory requirements in Israel.
No changes to benefit provisions.</td></tr>
<tr><td>Annual bonus</td><td>The CEO's and CFO's bonus opportunity will be 100% of base salary, lower than the approved 125% of salary maximum under the Directors' Remuneration Policy.
One third of any bonus earned will be deferred in shares for 2 years.
The 2022 bonus will be subject to Group EBITDA.
The targets are currently commercially sensitive and will be reported next year.</td></tr>
<tr><td>LTIP</td><td>Performance shares with a face value of 100% of salary will be awarded to executive directors.
The awards granted will be subject to an absolute TSR performance condition:
<table>
<tr><th>Total Shareholder Return on vesting date compared to share price on date of grant</th><th>Vesting percentage of the awards</th></tr>
<tr><td>Less than +15%</td><td>0%</td></tr>
<tr><td>+15%</td><td>25%</td></tr>
<tr><td>Between +15% and +25%</td><td>Pro rata between 25% and 80%</td></tr>
<tr><td>+25%</td><td>80%</td></tr>
<tr><td>Between +25% and 50%</td><td>Pro rata between 80% and 100%</td></tr>
<tr><td>50% or higher</td><td>100%</td></tr>
</table></td></tr>
<tr><td>NED fees</td><td>The Chairman and NED fees for FY22 are as follows:
Chairman fee: $56,000
External Director base fee: NIS 113,015* ($36,339**)
External Director per-meeting fee: NIS 4,345* ($1,397**)</td></tr>
</table>

* Linked to the Consumer Price Index in Israel.

** According to the 31 December 2021 currency rate of 3.11 NIS per 1 USD.

On behalf of the Board

Prof. Varda Shalev
Chair of the Remuneration Committee
13 April 2022

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 edge computing, NFV, carrier ethernet 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 2021. The results of the year are set out in the consolidated statements of profit or loss. BATM recorded a net profit of $14.8 million.

RETURNS TO SHAREHOLDERS

The Board considers returns to shareholders to be an important element of its strategy to deliver shareholder value. On 17 March 2022, the Group received shareholder approval for a programme to buy back up to 44,053,412 ordinary shares of NIS0.01 ("Ordinary Shares") in the capital of the Group, representing approximately 10% of the Group's issued share capital at that date. As at the date of this annual report, the Group had purchased 200,000 Ordinary Shares under its share buyback programme.

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 2021 and are currently serving (unless otherwise stated) 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. Varda Shalev, Non-Executive External Director
- Prof. Ari Shamiss, Non-Executive External Director (retired 28 November 2021)

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 26 to 31 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 56.

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 external 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. Such vacancy may also be temporarily filled by the continuing directors, and any director so appointed shall hold office until the next annual general meeting and is eligible for reappointment at that meeting. "External" directors, as defined by Israeli Companies Law, are non-executive directors that 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 election and re-election of external non-executive directors.

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 14 December 2021 until the following AGM. Prof. Varda Shalev, a Non-executive External Director, was also re-elected for her second three-year term. Their biographies appear on pages 24 to 25 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. According to the Company's articles of association, 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, the Group continues to prepare its financial statements according to the going concern basis.

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. Israeli company law holds the Directors responsible for preparing such financial statements and requires the Directors to approve them.

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
13 April 2022

BATM

Consolidated Financial Statements for the year ended 31 December 2021

Deloitte.

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 65 to 109, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396
Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502
Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402
Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

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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 2021, the Group had goodwill and other intangible assets of $16,033 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the ESEF-prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

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

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

13 April 2022

Consolidated Statements of Profit or Loss

for the year ended 31 December

	Note	2021 US$'000	2020 US$'000
Revenues	5, 6	140,038	183,566
Cost of revenues	7	88,977	122,856
Gross profit		51,061	60,710
Operating expenses			
Sales and marketing expenses	8	18,290	20,197
General and administrative expenses	9	12,243	15,884
Research and development expenses	10	8,713	10,258
Other operating expenses (income)	12	(12,563)	138
Total operating expenses		**26,683**	**46,477**
Operating profit		**24,378**	**14,233**
Finance income	13	1,466	820
Finance expenses	14	(911)	(1,754)
Profit before tax		24,933	13,299
Income tax expenses	15	(9,337)	(1,043)
Profit for the year before share of loss of a joint venture and associated companies		**15,596**	**12,256**
Share of loss of a joint venture and associated companies		(839)	(774)
Profit for the year		**14,757**	**11,482**
Attributable to:			
Owners of the Company		**14,340**	**9,793**
Non-controlling interests		**417**	**1,689**
Profit for the year		**14,757**	**11,482**
Profit per share (in cents) basic	16	**3.26**	**2.22**
Profit per share (in cents) diluted	16	**3.23**	**2.21**

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

Consolidated Statements of Comprehensive Income

for the year ended 31 December

	2021 US$'000	2020 US$'000
Profit for the year	14,757	11,482
Items that may be reclassified subsequently to profit or loss:		
Disposal of a foreign operation	(522)	–
Exchange differences on translating foreign operations	(4,880)	3,148
	9,355	14,630
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of investment	–	(508)
Re-measurement of defined benefit obligation	162	16
	162	(492)
Total comprehensive income for the year	**9,517**	**14,138**
Attributable to:		
Owners of the Company	8,976	13,560
Non-controlling interests	541	578
	9,517	**14,138**

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

Consolidated Statements of Financial Position

for the year ended 31 December

	Note	2021 US$'000	2020 US$'000
Assets			
Current assets			
Cash and cash equivalents		65,331	50,575
Trade and other receivables	18	34,932	41,467
Financial assets	17	2,432	2,803
Inventories	19	30,951	33,893
		133,646	128,738
Non-current assets			
Property, plant and equipment	20	18,107	16,109
Investment property	21	1,739	1,878
Right-of-use assets	22	6,570	9,607
Goodwill	23	11,385	16,838
Other intangible assets	24	4,648	6,879
Investment in joint venture and associate	12	12,667	13,271
Investments carried at fair value		1,027	1,027
Deferred tax assets	26	3,375	5,759
		59,518	71,368
Total assets		**193,164**	**200,106**
Equity and liabilities			
Current liabilities			
Short-term bank credit	27	1,634	5,365
Trade and other payables	27	47,519	53,618
Current maturities of lease liabilities	27	2,186	2,244
Tax liabilities		6,548	3,046
		57,887	64,273
Non-current liabilities			
Long-term bank credit	27	1,356	675
Long-term liabilities	27	3,888	6,416
Long-term lease liabilities	27	5,108	8,440
Deferred tax liabilities	26	170	711
Retirement benefit obligation	34	621	828
		11,143	17,070
Total liabilities		**69,030**	**81,343**
Equity			
Share capital	28	1,320	1,320
Share premium account		425,840	425,686
Reserves		(19,849)	(14,323)
Accumulated deficit		(279,888)	(290,090)
Equity attributable to the:			
Owners of the Company		127,423	122,593
Non-controlling interests		(3,289)	(3,830)
Total equity		**124,134**	**118,763**
Total equity and liabilities		**193,164**	**200,106**

The financial statements were approved by the board of directors and authorised on 13 April 2022. 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 2021 and 2020

	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 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 1 January 2021	**1,320**	**425,686**	**(13,811)**	**(512)**	**(290,090)**	**122,593**	**(3,830)**	**118,763**
Profit for the year	–	–	–	–	14,340	14,340	417	14,757
Disposal of a foreign operation	–	–	(522)	–	–	(522)	-	(522)
Re-measurement of defined benefit obligation	–	–	–	–	162	162	–	162
Exchange differences on translating foreign operations	–	–	(5,004)	–	–	(5,004)	124	(4,880)
Total comprehensive income for the year	–	–	**(5,526)**	–	**14,502**	**8,976**	**541**	**9,517**
Exercise of share-based options by employees	(*)	58	-	-	-	58	-	58
Recognition of share-based payments	–	96	–	–	–	96	–	96
Dividends	–	–	–	–	(4,300)	(4,300)	-	(4,300)
Balance as at 31 December 2021	**1,320**	**425,840**	**(19,337)**	**(512)**	**(279,888)**	**127,423**	**(3,289)**	**124,134**

(*) Less than 1K USD

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

Consolidated Statements of Cash Flow

for the year ended 31 December

	Note	2021 US$'000	2020 US$'000
Net cash from operating activities	30	**5,592**	**18,459**
Investing activities			
Interest received		3	101
Proceeds on disposal of property, plant and equipment		18	39
Proceeds on disposal of deposits		315	3,122
Proceeds on disposal of financial assets carried at fair value through profit and loss		402	761
Purchases of property, plant and equipment		(2,889)	(3,386)
Increase of other intangible assets		(400)	(328)
Purchases of financial assets carried at fair value through profit and loss		–	(2,009)
Purchases of deposits		(315)	(314)
Investment in joint venture and associated companies		(727)	(3,467)
Proceeds from sale of a subsidiary	31	18,662	–
Net cash from (used in) investing activities		**15,069**	**(5,481)**
Financing activities			
Lease payment	22	(2,174)	(2,428)
Bank loan repayment	27	(13,252)	(13,852)
Bank loan received	27	10,431	12,980
Proceed on exercise of shares		58	51
Net cash used in financing activities		**(4,937)**	**(3,249)**
Net increase in cash and cash equivalents		15,724	9,729
Cash and cash equivalents at the beginning of the year		50,575	40,584
Effects of exchange rate changes on the balance of cash held in foreign currencies		(968)	262
Cash and cash equivalents at the end of the year		**65,331**	**50,575**

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

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)

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 will be applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

3 Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS 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:

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

- 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 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.

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.

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.

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.

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.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

On disposal of an operating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 – Related mainly to software services such as training and technical support, laboratory service and maintenance related products sold
- 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.

Leases

The Group as a lessee

At inception of the contract, the Group assesses whether an arrangement is a lease or contains a lease. 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 assets leased for a period of less than 12 months, and also to lease of assets with low economic value.

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.

The lease liability is subsequently measured at amortised cost using the effective interest method.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus any lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and 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 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.

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

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 related to the relevant grant. The Group policy to designated such loans as financial liabilities measured at amortised cost according to IFRS 9. The difference between the liability and proceeds are recognised in the research and development expenses.

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.

The Group presents the first two components of defined benefit costs in profit or loss under 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.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

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 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.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, between 27-33 years.

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%-6%
Plant and equipment	10%-33%
Motor vehicles	15%-25%
Furniture and fittings	6%-15%
Leasehold Improvements	6%-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 other income or expense.

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.

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).

Amortisation 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%

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

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.

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.

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.

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.

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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

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.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and options. 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.

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 based on management 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.

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.

Judgments with respect to deferred tax assets
For the purposes of measuring deferred tax assets arising from loss carry-forwards in different territories, management is required to use considerable judgment in estimation of the carried forward losses in which it expects to be able to utilise in the foreseeable future. For additional information in respect of deferred tax assets 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.

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

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Sales of goods	116,447	101,341
Services	15,837	35,413
Construction contracts	7,754	46,812
	140,038	**183,566**

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") and Edge Computing based on the Group's NFV operating system, Edgility OS (formerly NFVTime) as well as supply of carrier ethernet and access solutions in its Network Edge business. In the Cyber unit, the Group provides network monitoring and encryption solutions for very high speed, large area networks. 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.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

A. Segment revenues and segment results

Year ended 31 December 2021

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues from external customers	27,992	112,046	–	140,038
Operating profit	7,844	16,534	–	24,378
Net finance income				555
Profit before tax				24,933

Year ended 31 December 2020

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues from external customers	54,884	128,682	-	183,566
Operating profit	(4,932)	19,165	-	14,233
Net finance expense				(934)
Profit before tax				13,299

B. Segment assets, liabilities and other information

As at 31 December 2021

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	74,951	116,474	1,739	193,164
Liabilities	23,904	40,826	4,300	69,030
Depreciation and amortisation	1,659	3,525	80	5,264
Additions to non-current assets	2,114	7,961	-	10,075

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

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	2021 $'000s	2020 $'000s
Networking and cyber products	15,376	13,552
Software services*	12,616	41,332
Distribution of medical products and services	71,832	65,961
Diagnostic products	31,576	22,962
Eco-Med products**	8,638	39,759
	140,038	**183,566**

* The decrease in Software services revenue derives mainly from the sale of a Group subsidiary. See note 31 (disposal of subsidiary) for further details.

** 2020 Eco-Med products revenue includes $33m related to an exceptional ventilators project.

D. Revenue from major sources

Year ended 31 December 2021

Revenues	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Sales of goods	15,376	101,071	–	116,447
Services	7,131	8,706	–	15,837
Construction contracts	5,485	2,269	–	7,754
	27,992	**112,046**	–	**140,038**

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**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

E. Geographical segments

The Group operates in three principal geographical areas: United States of America, 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	
	2021	**2020**	**2021**	**2020**
Area A	107,718	126,791	40,302	36,276
Area B	22,923	47,671	10,304	23,621
Area C	9,397	9,104	4,510	4,685
Total	**140,038**	**183,566**	**55,116**	**64,582**

7 Cost of revenues

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Direct costs – Components and subcontractors	74,136	110,244
Changes in inventory	2,942	(8,599)
Salaries and related benefits	7,330	16,666
Overhead and depreciation	2,726	3,030
Other expenses	1,843	1,515
	88,977	**122,856**

8 Sales and marketing expenses

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Salaries and related benefits	10,220	10,870
Commissions	2,986	4,289
Outside services	491	435
Advertising and sales promotion	941	867
Overhead and depreciation	2,304	2,149
Travelling and other expenses	1,348	1,587
	18,290	**20,197**

9 General and administrative expenses

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Salaries and related benefits	5,114	6,148
Professional services(*)	3,506	4,888
Overhead and depreciation	1,347	1,300
Other expenses	2,276	3,548
	12,243	**15,884**
(*) Including auditors' remuneration for audit services	**347**	**281**

Amounts payable to Deloitte by the Group undertakings in respect of non-audit services in 2021 were $48 thousand (2020: $19 thousand). In addition, payables in respect of non-audit services to others than the Company's auditors, for tax and internal audit services in 2021, were $51 thousand and $19 thousand, respectively (2020: $18 thousand and $11 thousand, respectively).

10 Research and development expenses

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Salaries and related benefits	4,741	3,882
Components and subcontractors	2,863	4,930
Overhead and depreciation	852	938
Other expenses	591	617
Government grants	(334)	(109)
	8,713	**10,258**

11 Staff costs

The average monthly number of employees in 2021 (including executive directors) was 1,023 (2020: 1,196).

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Their aggregate remuneration comprised:		
Wages and salaries	22,233	31,733
Social security costs	3,569	4,242
Other pension costs	1,603	1,591
	27,405	**37,566**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

12 Other operating expenses (income)

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Profit from sale of a subsidiary[1]	(13,035)	–
Gain on reduction of holdings in an associated company	–	(602)
Amortisation of intangible assets	196	304
Other	276	436
	(12,563)	**138**

[1] See note 31 in relation to the disposal of a subsidiary

13 Finance income

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Interest on bank deposits	3	94
Gain on derivative financial instruments	–	223
Gain on marketable securities	25	81
Foreign exchange differences, net	895	–
Other interest income	543	422
	1,466	**820**

14 Finance expenses

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Loss on derivative financial instruments	(44)	–
Foreign exchange differences, net	–	(684)
Interest on loans and bank fees	(643)	(768)
Interest on lease liabilities	(224)	(302)
	(911)	**(1,754)**

15 Income tax expenses

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Current tax	(7,027)	(3,352)
Tax on previous years	(11)	(2)
Deferred tax (note 26)	(2,299)	2,311
	(9,337)	**(1,043)**

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 2020 and 2021 is 23%
b. Encouragement of Capital Investments Law:

    a. The corporate tax rate for each company with Preferred Enterprise status for the years 2020 and 2021 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.

The Company and its Israeli subsidiaries have tax loss carry-forwards of $131.9 million for which the Group did not create deferred tax assets. According to the Israeli tax law there is no expiry date to use such losses.

The Company tax assessments for the years up to and including the 2016 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, which has resulted in tax loss carry-forwards. According to US law, losses created until 2017 can be carried forward for 20 years. As of 31 December 2021, the total carry-forward losses of Telco Systems amounted to $280.5 million of which deferred tax asset of $3.1 million have been recognised in respect of such losses to the extent that a sufficient taxable profit will be available in the foreseeable future.

On 22 December 2017, a Tax Cuts and Jobs Act law was enacted (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.

Other jurisdictions

Taxation for other jurisdictions than those mentioned above is calculated at the rates prevailing in the respective jurisdictions. The corporate income tax rate for subsidiaries with significant sales are: Moldova is 12%, Romania is 16% and Italy is 24%.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

The Group has tax loss carry-forwards of $6.2 million in European subsidiaries and the Group did not recognise deferred tax assets in respect of $5.2 million of such losses.

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	
	2021 $'000s	**2020 $'000s**
Profit before tax	**24,933**	**13,299**
Tax expense at the Israeli statutory corporate income tax rate of 23%	5,735	3,059
Difference between equity method measurement basis and cost basis for tax purposes related to disposal of a subsidiary	1,754	–
Differences between statutory tax in Israel (23%) and statutory tax rate for subsidiaries abroad	1,449	(339)
Tax losses utilised in current period for which no deferred tax assets have been recognised	(154)	(166)
Deferred tax assets recognised	(191)	(4,072)
Write-off of deferred tax assets	–	1,818
Tax on previous years	11	2
Other	733	741
Tax expenses for the year	**9,337**	**1,043**

16 Earnings per share

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

	Year ended 31 December	
	2021	**2020**
Earnings for the purposes of basic and diluted earnings per share ($'000s) attributable to Owners of the Company	**14,340**	**9,793**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	440,437,960	440,291,783
Effect of dilutive potential ordinary shares:		
Share options	3,829,714	3,763,448
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**444,267,674**	**444,055,231**

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 225,000 (2020: 400,000).

17 Financial assets

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Interest-bearing deposits	158	157
Financial assets at FVTPL	2,274	2,646
	2,432	**2,803**

The average interest rate of deposits is 0.25% for 2021 and 2020.

18 Trade and other receivables

	31 December	
Trade and other receivables	**2021 $'000s**	**2020 $'000s**
Trade receivable account	25,451	24,889
Participation in research and development: Government of Israel	90	1,101
VAT authorities	2,226	1,273
Tax authorities	257	126
Construction contracts (see following table)	1,474	5,790
Prepaid expenses	3,634	6,468
Other debtors	1,800	1,820
	34,932	**41,467**

	31 December	
Construction contracts	**2021 $'000s**	**2020 $'000s**
Composition:		
Cumulative costs incurred due to works construction contracts	8,493	15,019
In addition - Recognised profits	2,044	1,023
Less accounts submitted to project customers	(9,063)	(10,252)
	1,474	**5,790**

The average credit period taken on sales of goods is 66 days (2020: 54 days). No interest is charged on the receivables. An allowance has been made at 31 December 2021 for estimated irrecoverable amounts from the sale of goods of $3,499 thousand (2020: $3,556 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 2021, trade receivable account includes amounts of $6.4 million for which maturity date has expired (including a receivable in the amount of $0.9 million that is overdue by more than a year), but the Group, based on past experience and on the credit quality of the debtors and given that most of the debts have been collected by the date of the approval of this annual report, has not made an allowance for doubtful debts since the Company expects that those debts are to be collectible.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, deposits and investments at fair value. 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 credit loss.

19 Inventories

	31 December	
	2021 $'000s	**2020 $'000s**
Raw materials	7,125	7,166
Work-in-progress	2,410	3,353
Finished goods	21,416	23,374
	30,951	**33,893**

During 2021, $2.0 million of slow-moving inventory was impaired and expensed to the Profit or Loss account (2020: $1.2 million).

20 Property, plant and equipment

($'000s)	**Land and buildings**	**Plant and equipment**	**Motor vehicles**	**Furniture and fittings**	**Leasehold improvements**	**Total**
Cost						
At 1 January 2020	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 1 January 2021	**10,209**	**19,734**	**2,083**	**4,522**	**2,992**	**39,540**
Additions	29	3,477	394	103	2,036	6,039
Disposal	(11)	(265)	(229)	(77)	(29)	(611)
Disposal of subsidiary	–	(797)	–	–	(1,197)	(1,994)
Effect of translation adjustment	(519)	(621)	(115)	(88)	(86)	(1,429)
At 31 December 2021	**9,708**	**21,528**	**2,133**	**4,460**	**3,716**	**41,545**

($'000s)	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
Accumulated depreciation						
At 1 January 2020	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 1 January 2021	**2,898**	**13,460**	**1,287**	**4,171**	**1,615**	**23,431**
Depreciation expense	299	1,332	228	74	116	2,049
Disposals	–	(220)	(175)	(77)	–	(472)
Disposal of subsidiary	–	(512)	–	–	(338)	(850)
Effect of translation adjustment	(232)	(301)	(86)	(71)	(30)	(720)
At 31 December 2021	**2,965**	**13,759**	**1,254**	**4,097**	**1,363**	**23,438**
Carrying amount						
At 31 December 2021	**6,743**	**7,769**	**879**	**363**	**2,353**	**18,107**
At 31 December 2020	**7,311**	**6,274**	**796**	**351**	**1,377**	**16,109**

21 Investment property

	2021 $'000s	2020 $'000s
At 1 January	1,878	1,899
Depreciation expense	(80)	(88)
Exchange rate differences	(59)	67
At 31 December	**1,739**	**1,878**

Amounts recognised in the consolidated statements of profit or loss

	31 December	
	2021 $'000s	**2020 $'000s**
Rental income from investment property	24	171
Operating expenses related to income from investment property	(13)	(154)
Operating expenses related to investment property which produced no income	(134)	(34)

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

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 2021		31 December 2020	
	At amortised cost $'000s	Fair value $'000s	At amortised cost $'000s	Fair value $'000s
USA	1,051	1,933	1,099	1,804
Italy	688	1,237	779	1,341

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 $1,369 per square metre for the property in Italy and $159 per square foot for the property in the USA.

22 Right-of-use assets

($'000s)	Plant and equipment	Buildings	Motor vehicles	Total
Cost				
At 1 January 2020	–	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
Additions	848	1,618	693	3,159
Disposals	–	(495)	(365)	(860)
Disposal of subsidiary	–	(4,191)	(547)	(4,738)
Effect of translation adjustment	–	(110)	(13)	(123)
At 31 December 2021	**848**	**9,662**	**1,261**	**11,771**

($'000s)	Plant and equipment	Buildings	Motor vehicles	Total
Accumulated depreciation				
At 1 January 2020	–	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
Charge for the year	128	1,706	375	2,209
Disposals	–	(285)	(365)	(650)
Disposal of subsidiary	–	(896)	(175)	(1,071)
Effect of translation adjustment	–	(6)	(7)	(13)
At 31 December 2021	**128**	**4,457**	**616**	**5,201**
Carrying amount				
At 31 December 2021	**720**	**5,205**	**645**	**6,570**
At 31 December 2020	–	**8,902**	**705**	**9,607**

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, respectively.

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

Amounts recognised in profit or loss

	2021 $'000s	2020 $'000s
Depreciation expense on right-of-use assets	2,209	2,416
Interest expense on lease liabilities	224	302
Expense relating to short-term leases	766	466

At 31 December 2021, the Group was committed to $0.4 million for short-term leases (2020: $0.3 million). The total cash outflow for leases amounted to $2,174 thousand (2020: $2,428 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 related to the Bio-Medical segment in the amount of $9,401 thousand (2020: $9,478 thousand) is allocated to 5 CGUs: Eco-Med, Diagnostic, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution. The goodwill related to the Networking and Cyber segment amounted to $1,984 thousand (2020: $7,360 thousand).

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

The goodwill is allocated to the following CGUs:

Eco-Med: $2,550 thousand (2020: $2,550 thousand)

Diagnostic: $1,082 thousand (2020: $1,173 thousand)

Distribution: $1,116 thousand (2020: $1,137 thousand)

Distributor and provider of genetics tests: $1,073 thousand (2020: $1,038 thousand)

Analytical instruments distribution: $3,580 thousand (2020: $3,580 thousand)

Networking: $1,984 thousand (2020: $1,984 thousand)

Software services: $0 thousand (2020: $5,376 thousand). Related to NGSoft, which was sold during Q1 2021. See also note 31 for further information.

The recoverable amounts of the CGUs are determined from value in use calculations except for the Diagnostic 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 10.5% - 15.5% 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 for the Networking CGU of 35%, 19%, 35%, 35%, 35% for years 1-5 respectively and 0% thereafter, for the Eco-Med CGU 23% for year 1, 10% for years 2-5 and 1% thereafter, for the Distribution CGU 8% for year 1, 15% for years 2-5 and 5% thereafter, for the Distributor and provider of genetics tests CGU 8% for year 1, 5% for years 2-5 and 1% thereafter, and for the Analytical instruments distribution CGU 13% for year 1, 9% for years 2-5 and 1% thereafter.

The average operating expenses have been assumed to grow for the Networking CGU at 39%, 27%, 34%, 24%, 25% for years 1-5 respectively and then assumed to remain constant thereafter, and for the Eco-Med, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution CGUs at 5%, 8%, 8%, 9%, 9% for years 1-5 respectively and then assumed to remain constant thereafter. The average cost of goods sold has been assumed to grow for the Networking CGU at 6%, (2%), 1%, 13%, 14% for years 1-5 respectively and then assumed to remain constant thereafter, and for the Eco-Med, Distribution, Distributor and provider of genetics tests and Analytical instruments distribution CGUs 10%, 13%, 14%, 14%, 14% for years 1-5 respectively and 4% thereafter. The rates used above reflect historical rates achieved and expected levels for 2022 but then are adjusted for subsequent years.

The recoverable amount of the Diagnostic CGU is determined based on fair value, which accordingly no impairment was required.

Sensitivity of the recoverable amount to changes in the key assumptions

The recoverable amount of the Distributor and provider of genetics tests activity is higher than the carrying amount in the amount of $0.9 million. Reduction of 2% growth rate taken into account in calculating the value in use of the activity will result in a decrease of $0.8 million recoverable amount of the activity and no goodwill impairment will be recorded. Increase of 3% in pre-tax discount rate taken into account in calculating the value in use of the activity will result in a decrease of $0.86 million recoverable amount of the activity and no goodwill impairment will be recorded. The changes in assumptions fo the sensitivity analysis will lead to changes in other assumptions used in the calculation of value in use.

	2021 $'000s	2020 $'000s
Balance at 1 January	**16,838**	**16,804**
Additions in the year	–	–
Disposal of a subsidiary (*)	(5,185)	(504)
Foreign exchange difference	(268)	538
Balance at 31 December	**11,385**	**16,838**

(*) see note 31.

24 Other intangible assets

	Customer Relationships and Backlog $'000s	Technology $'000s	Other $'000s	Total $'000s
Cost				
At 1 January 2020	**16,420**	**17,180**	**2,694**	**36,294**
Additions(*)	–	328	–	328
Disposals	–	–	–	–
Effect of translation adjustments	716	562	142	1,420
As at 1 January 2021	**17,136**	**18,070**	**2,836**	**38,042**
Additions(*)	–	400	477	877
Disposals	–	(1,264)	–	(1,264)
Disposal of subsidiary	(4,896)	(199)	(1,554)	(6,649)
Effect of translation adjustments	(535)	(451)	(54)	(1,040)
At 31 December 2021	**11,705**	**16,556**	**1,705**	**29,966**
Accumulated amortisation				
At 1 January 2020	**15,818**	**11,302**	**2,233**	**29,353**
Amortisation expense	154	463	101	718
Disposal	–	–	–	–
Effect of translation adjustments	659	328	105	1,092
At 1 January 2021	**16,631**	**12,093**	**2,439**	**31,163**
Amortisation expense	43	547	126	716
Disposal	–	(106)	–	(106)
Disposal of subsidiary	(4,504)	(91)	(1,086)	(5,681)
Effect of translation adjustments	(513)	(233)	(28)	(774)
At 31 December 2021	**11,657**	**12,210**	**1,451**	**25,318**
Carrying amount				
At 31 December 2021	**48**	**4,346**	**254**	**4,648**
At 31 December 2020	**505**	**5,977**	**397**	**6,879**

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

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 2021 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	Eco-Med	Hungary	75%	February 2008
Entity D	Distribution	Moldova	51%	July 2008
Entity E	Diagnostics	Italy	100%	February 2009
Entity F	Diagnostics	Italy	100%	November 2009
Entity G	Cyber	Israel	67%	April 2012
Entity H	Distribution	Hungary	100%	January 2016
Entity I	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 2020	**36**	**3,168**	**30**	**3,234**
Change for the period	(36)	2,415	(29)	2,350
Effect of translation adjustments	–	176	(1)	175
At 1 January 2021	–	**5,759**	–	**5,759**
Change for the period	–	(2,280)	–	(2,280)
Effect of translation adjustments	–	(104)	–	(104)
At 31 December 2021	–	**3,375**	–	**3,375**

The Company incurred 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 were 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

	Intangible assets $'000s	Tangible assets and other $'000s	Total $'000s
At 1 January 2020	**98**	**528**	**626**
Change for the period	(15)	54	39
Effect of translation adjustments	7	39	46
At 1 January 2021	**90**	**621**	**711**
Change for the period	(16)	35	19
Effect of translation adjustments	(1)	(19)	(20)
Disposal of a subsidiary	–	(540)	(540)
At 31 December 2021	**73**	**97**	**170**

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 amount to: $12,873 thousand as of 31 December 2021 (31 December 2020: $15,386 thousand).

27 Financial and other liabilities

Trade and other payables

	31 December	
	2021 $'000s	**2020 $'000s**
Trade creditors	20,701	22,373
Salary accruals	7,195	8,511
VAT and other tax	4,336	3,515
Dividend payables	4,300	–
Provision	–	2,059
Other creditors and accruals	10,987	17,160
	47,519	**53,618**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 59 days (2020: 58 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

Long-term bank credit

	31 December	
	2021 $'000s	**2020 $'000s**
Long-term bank credit	1,356	675
	1,356	**675**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

Long-term liabilities

	31 December	
	2021 **$'000s**	**2020** **$'000s**
Liability to the office of the chief scientist	2,685	3,269
Government institutions and other	1,203	3,147
	3,888	**6,416**

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

2021	**Open balance** **$'000s**	**Cash flow from (used in) finance activities, net** **$'000s**	**Foreign exchange differences** **$'000s**	**Close balance** **$'000s**
Short term	5,365	(3,565)	(166)	1,634
Long term	675	744	(63)	1,356
	6,040	**(2,821)**	**(229)**	**2,990**

2020	**Open balance** **$'000s**	**Cash flow used in finance activities, net** **$'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**

Disclosure required by IFRS 16

	31/12/2021	**31/12/2020**
	$'000s	**$'000s**
Maturity analysis		
Year 1	2,186	2,244
Year 2	1,682	2,116
Year 3	1,240	1,489
Year 4	1,047	1,082
Year 5	741	1,006
Onwards	398	2,747
	7,294	**10,684**

28 Share capital

	Ordinary shares of NIS 0.01 each (number of shares)	
	2021	**2020**
Authorised:	**1,000,000,000**	**1,000,000,000**
Issued and fully paid:	**440,534,124**	**440,434,124**

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

During the year, 100,000 options were exercised by an employee (see also note 33). During 2020, 155,050 options were exercised by 20 employees.

29 Dividends and buyback

On 14 December 2021, the shareholders approved the distribution of a dividend of 0.74 pence (sterling) per ordinary share, amounting to a total payout of $4.3 million. The amount was fully paid during the first quarter of 2022.

For information about the Company buyback programme, see note 37 – Post balance sheet events.

30 Note to the cash flow statement

	Year ended 31 December	
	2021 $'000s	**2020 $'000s**
Operating profit from operations	**24,378**	**14,233**
Adjustments for:		
Amortisation of intangible assets	716	718
Depreciation of property, plant and equipment and investment property	4,548	4,757
Capital loss (gain) of property, plant and equipment	(229)	31
Profit from sale of a subsidiary	(13,035)	–
Capital gain on reduce of holdings in associated company	–	(602)
Stock options granted to employees	96	158
Increase (decrease) in retirement benefit obligation	(10)	96
Increase (decrease) in provisions	(1,803)	2,114
Operating cash flow before movements in working capital	**14,661**	**21,505**
Decrease (increase) in inventories	3,031	(11,198)
Decrease (increase) in receivables	(2,052)	916
Increase (decrease) in payables	(5,352)	7,111
Effects of exchange rate changes on the balance sheet	(1,616)	1,729
Cash from operations	**8,672**	**20,063**
Income taxes paid	(2,383)	(637)
Income taxes received	–	3
Interest paid	(697)	(970)
Net cash from operating activities	**5,592**	**18,459**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

31 Disposal of subsidiary

On 19 March 2021, the Group entered into a sale agreement to dispose of NG Soft Ltd. ("NGSoft (to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund (the "Buyer"). NGSoft is a software and digital services company that provides creative digital and technology solutions.

NGSoft

	2021 US$ in thousands
Net assets disposed	
Property, plant and equipment	1,144
Right of use	3,667
Other intangible assets	968
Net working capital	73
Lease liability	(3,764)
Current tax liability	(584)
Deferred tax liability	(540)
Goodwill	5,185
Net assets disposed of	**6,149**
Disposal of a foreign operation translation reserve	(522)
Gain on disposal	13,035
Total consideration	**18,662**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents, net	20,903
Cash and cash equivalents disposed	(2,241)
	18,662

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

In November 2021, the Company approved a Share Incentive Plan (hereinafter: "the 2021 Plan"), under which the Company can grant options or restricted share units or allot shares (including restricted shares), according to the procedures, terms and conditions specified in the Share Incentive Plan. Options granted prior to the 2021 Plan are subject to the terms and conditions under which they were granted. As of the balance sheet date, the Company had not made any grants under the 2021 Plan.

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

	2021		2020	
	Number of share options	**Weighted average exercise price (in GBP)**	**Number of share options**	**Weighted average exercise price (in GBP)**
Outstanding at beginning of year	5,756,200	0.2867	5,575,395	0.2613
Granted during the year	225,000	1.0502	400,000	0.6385
Forfeited during the year	(250,000)	0.5976	(64,145)	0.3701
Exercise during the year	(100,000)	0.4340	(155,050)	0.2475
Outstanding at the end of the year	**5,631,200**	**0.3008**	**5,756,200**	**0.2867**
Exercisable at the end of the year	**5,247,867**	**0.2505**	**3,056,200**	**0.2360**

The outstanding options at 31 December 2021 had a weighted average exercise price of 0.3008 GBP, and a weighted average remaining contractual life of 6.3 years. On 21 February 2021, 225,000 options were granted for an estimated fair value of $200 thousand which were calculated according to the Black-Scholes model. On 21 May, 2020, 400,000 options were granted for an estimated fair value of $249 thousand which were calculated according to the Black-Scholes model.

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

	2021	2020
Weighted average share price (GBP)	1.05	0.92
Weighted average exercise price (GBP)	1.05	0.64
Expected volatility	82%	67%
Expected life	3	3
Risk-free rate	1.3%	1.3%
Expected dividends	0%	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 $96 thousand and $158 thousand related to equity-settled share-based payment transactions in 2021 and 2020, 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: $453 thousand in the year 2021 (2020: $1,112 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 65 (women) or redundancy. No other post-retirement benefits are provided to these employees.

In Italy each employee is entitled to have a severance payment as soon as they end employment under one of the conditions specified below 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 16 January 2022 by Alexey Trakshinsky, 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:

	2021	2020
Discount rate(s)	2.15%	2.10%
Expected rate(s) of salary increase	1-4%	1-4%
Expected inflation rate	2.56%	1.40%
Employee turnover rate	8%	8%

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

Service cost:

	2021 $'000s	2020 $'000s
Current service cost	193	215
Net interest expenses	11	12
Components of defined benefit costs recognised in profit or loss	**204**	**227**

Re-measurement on the net defined benefit liability:

	2021 $'000s	2020 $'000s
Return on plan assets (excluding amounts included in net interest expense)	80	4
Actuarial gains and losses arising from changes in financial assumptions	15	2
Actuarial gains and losses arising from other	67	(21)
Components of defined benefit costs recognised in other comprehensive	**162**	**(15)**

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:

	2021 $'000s	2020 $'000s
Present value of funded defined benefit obligation	2,044	2,574
Fair value of plan assets	(1,423)	(1,746)
Net liability	**621**	**828**

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

	2021 $'000s	2020 $'000s
Opening defined benefit obligation	2,574	2,445
Current service cost	193	215
Interest cost	37	41
Remeasurement (gains)/losses arising from changes in financial assumptions	(75)	19
Benefits paid	(552)	(247)
Disposal of a subsidiary	(76)	–
Exchange rate differences	(57)	101
Closing defined benefit obligation	**2,044**	**2,574**

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2021

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

	2021 $'000s	2020 $'000s
Opening fair value of plan assets	1,746	1,730
Interest income	26	28
Remeasurements gains/(losses) return on plan assets (excluding amounts included in net interest expense)	88	4
Contributions from the employer	52	51
Benefits paid	(449)	(190)
Disposal of a subsidiary	(71)	–
Exchange rate differences	31	123
Closing fair value of plan assets	**1,423**	**1,746**

35 Related party transactions

Remuneration of key management personnel

	2021 $'000s	2020 $'000s
Short- and long-term employee benefits	1,912	2,378
Shared-based payment	–	84
	1,912	**2,462**

Transactions with associated companies
During the year, the Group provided various services to an associated company for an amount of $1,162 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

	2021 $'000s
Financial assets	
Cash and cash equivalents*	65,331
Fair value through profit or loss	2,935
Fair value through OCI	524
Receivables	28,815
Financial liabilities	
At amortised cost	56,142
Fair value through profit or loss	47

	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	–

*Cash and cash equivalents comprises $2.4 million deposits up to three months and $62.9 million cash (2020: $11.6 million deposits up to three months and $39.0 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.

(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 that analyse exposure 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.

Notes to the Consolidated Financial Statements *(continued)*

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(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, which derive mostly from existing monetary assets and liabilities.

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.

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**	
	2021 $'000s	**2020 $'000s**	**2021 $'000s**	**2020 $'000s**
NIS	9,650	14,873	26,400	21,034
EUR	24,332	26,559	33,212	32,680
RON	4,826	4,300	11,711	8,871
MDL	2,737	1,983	3,862	3,532
GBP	388	323	3,764	441
Other	2,240	4,810	2,067	1,019

Foreign currency sensitivity

The Group is mainly exposed to EUR, NIS, GBP, RON and MDL.

The following table details the Group's sensitivity to a 10% change in USD against the respective foreign currencies in 2021. The 10% 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 USD weakens against the respective currency. If the USD 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

	2021 $'000s	2020 $'000s
NIS Impact	1,724	417
EUR Impact	396	(151)
GBP Impact	362	29

Equity

	2021 $'000s	2020 $'000s
NIS Impact	(49)	199
EUR Impact	492	763
MDL Impact	112	155
GBP Impact	(24)	(17)
RON Impact	689	457
Other currencies Impact	(17)	(379)

The Group's main exposure derives from its cash, receivables and payables at year end..

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

During the year, the Company engaged in three financial instruments, which resulted in $44 thousand recorded as finance expenses (2020: five financial instruments, which resulted in $223 thousand recorded as finance income).

(g) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group may 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 in the following table (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.

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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 2021					
Non-interest bearing	–	42,646	450	4,692	47,788
Bank loans interest bearing (*)	4.20	552	1,082	1,356	2,990
Lease liabilities	2.05	546	1,640	5,108	7,294
		43,744	3,172	11,156	58,072
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

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

The future bank loan interest to be paid is $128 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.

(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.

37 Post balance sheet events

(a) In January 2022, the Group and its partners in Ador invested an additional amount of $10m, of which the Group contributed $4m. Following this additional investment, the Group's shareholding in Ador is 37.21% (compared with 36.7% in December 2020).

(b) On 17 March 2022, the Group received shareholder approval for a share buyback programme. As at the date of this report, the Group had purchased 200,000 ordinary shares.

Other Alternative Measures

Income statement adjustments

The Group has made reference in the annual report to a number of adjustments regarding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021; (2) the contribution to 2020 from a significant contract for the supply of ventilators; and (3) adjustments related to the amortisation of intangible assets. These adjustments are outlined below:

Year ended 31 December 2021 (Unaudited)	Reported results	Adjustments to exclude NGSoft and ventilator contract	Amortisation of intangible assets	Adjusted results (ongoing operations)
	US$ thousands			
Revenues	140,038	7,262	–	132,776
Gross profit	51,061	1,235	(414)	50,240
Gross margin (%)	36.5%	17.0%	–	37.8%
Sales and marketing expenses	18,290	144	–	18,146
General and administrative expenses	12,243	358	–	11,885
Research and development expenses	8,713	–	106	8,607
Other operating expenses (income)	(12,563)	(12,994)	154	277
Operating profit	24,378	13,727	(674)	11,325
EBITDA	29,642	13,956	–	15,686

Year ended 31 December 2020 (Unaudited)	Reported results	Adjustments to exclude NGSoft and ventilator contract	Amortisation of intangible assets	Adjusted results (ongoing operations)
	US$ thousands			
Revenues	183,566	70,997	-	112,569
Gross profit	60,710	20,105	(414)	41,019
Gross margin (%)	33.1%	28.3%	-	36.4%
Sales and marketing expenses	20,197	3,304	-	16,893
General and administrative expenses	15,884	2,680	-	13,204
Research and development expenses	10,258	1,747	-	8,511
Other operating expenses (income)	138	159	145	(166)
Operating profit	14,233	12,215	(559)	2,577
EBITDA	19,708	13,140	-	6,568

The above does not form part of the audited financial statements.

EBITDA measurement

The Group uses EBITDA as a performance measure, which is calculated as follows:

	Reported Year ended 31 December		**Adjusted Year ended 31 December**	
	2021 (Unaudited)	**2020 (Unaudited)**	**2021 (Unaudited)**	**2020 (Unaudited)**
Operating profit	24,378	14,233	11,325	2,577
Amortisation of Intangible assets	716	718	–	–
Depreciation	4,548	4,757	4,361	3,991
EBITDA	**29,642**	**19,708**	**15,686**	**6,568**

The above does not form part of the audited financial statements.

Company Information

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

Company Number
520042813 – Registered in Israel

Company Secretary
Mr. Yair Livneh

Auditors
Deloitte Israel & Co.
1 Azriely Center,
Tel-Aviv, Israel

Financial Adviser & Stockbroker
Shore Capital
Cassini House,
57 St James's Street,
London SW1A 1LD, UK

Legal Counsel in UK
Fladgate LLP
16 Great Queen Street,
London WC2B 5DG, UK

Bankers
Bank Hapoalim
4 Hatzoran,
Netanya, Israel

Bank Leumi
7 Menahem Begin Street,
Ramat-Gan, Israel

Registrar
Link Group
10th Floor, Central Square,
29 Wellington Street,
Leeds LS1 4DL, UK

Financial PR Consultants
Luther Pendragon
48 Gracechurch Street,
London EC3V 0EJ, UK

BATM
Advanced Communications

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