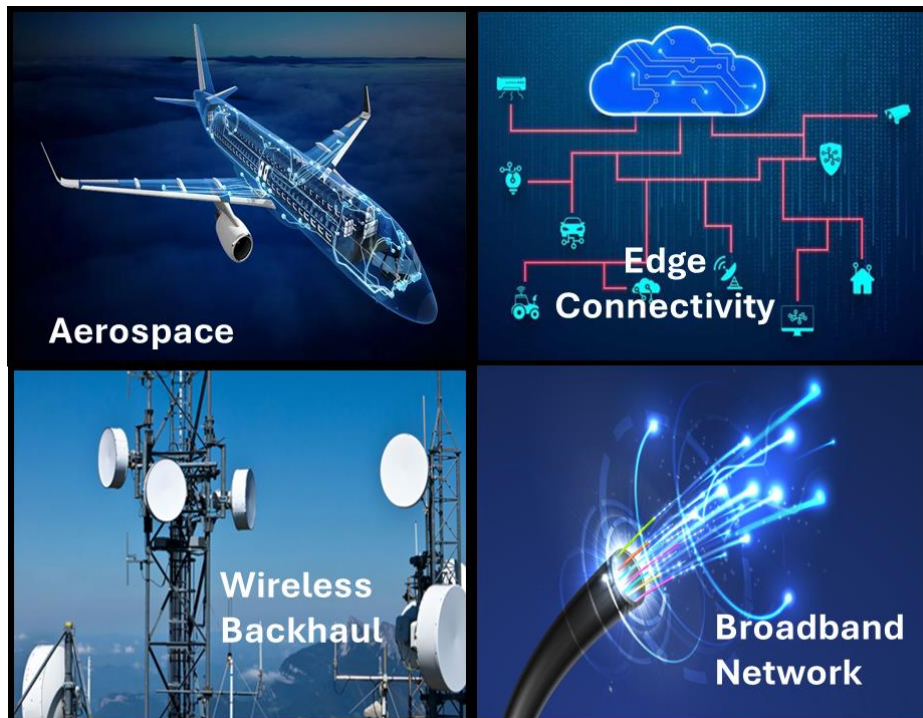


ETHERNITY NETWORKS

From Silicon to System

Innovative Connectivity and Security



Annual Report and Financial Statements

For the Year Ended 31 December 2024

Ethernity Networks Ltd

Company registration number: 51-347834-7



[Ethernity Networks, headquartered in Israel](#), Ethernity Networks (AIM: ENET.L OTCMKTS: ENETF) provides innovative data processing and Passive Optical Network (“PON”) semiconductor technology for networking appliances. The Company’s comprehensive networking and security solutions deliver a Carrier Ethernet Switch Router data plane and control software, featuring a rich set of networking capabilities, robust security, and a wide array of virtual function accelerations to optimize telecommunications networks.

Ethernity’s semiconductor technology has been deployed in both FPGA and ASIC form factors and has been integrated into over one million networking platforms worldwide. Its complete, flexible solutions adapt rapidly to customers' evolving needs, reducing time-to-market and enabling efficient deployment of 5G, edge computing, mobile backhaul, carrier Ethernet, broadband access networks, and various NFV appliances including 5G UPF, vRouter, and vBNG.

Contents

Statutory and Other Information	02
Chairman’s Statement	04
Chief Executive’s Statement	05
Financial Review	09
Board of Directors	15
Corporate Governance Statement	17
Directors’ Report	22
Statement of Directors’ Responsibilities	23
Independent Auditor’s Report to the Members of Ethernity Networks Limited	26
Statement of Financial Position	30
Statement of Comprehensive Loss	31
Statement of Changes in Equity	32
Statement of Cash Flows	33
Notes to the Financial Statements	34

Statutory and Other Information

Directors

Joseph (Yosi) Albagli	Independent Non-Executive Chairman
David Levi	Chief Executive Officer
Shavit Baruch	VP Research & Development
Richard Bennett	Independent Non-Executive Director
Aviva Banczewski	Independent Non-Executive Director**
Julie Kunstler	Independent Non-Executive Director**

***Appointed 16 April 2024*

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Tomer Assis

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Chairman's Statement

I am pleased to present my report as Chairman of the Board.

2024 began under challenging circumstances as the Company continued to operate under a creditor arrangement. Despite these difficulties, I am pleased to report that, as of the date of this report, the Company has successfully fulfilled all of its obligations under the creditor settlement agreement. This marks an important milestone in restoring stability and credibility to the business.

During this period, the Company experienced a decline in revenue, primarily due to external factors that impacted potential new customers of the Company and, more significantly, the uncertainty associated with the Company operating under creditor oversight. This uncertainty impacted customer confidence and limited our ability to execute on new opportunities.

Despite these headwinds, I am encouraged by the \$1.05m contract signed with a Tier-1 US Aerospace vendor in 2024, which was subsequently extended to \$1.3m following the year-end, and the significant interest we have received in recent months—particularly in the final quarter of FY2024—regarding the potential fabrication of an ASSP (Application Specific Standard Product) to be co-funded by an interested OEM. This initiative is based on the Company's existing, fully tested design currently operating on Ethernity's Universal Edge Platform (UEP). The UEP has already been evaluated and validated by several major OEMs, including a Tier-1 wireless backhaul vendor, underscoring its technical robustness and market readiness.

Further strengthening Ethernity's strategic position is the growing recognition of the Company's Passive Optical Network (PON) technology as a valuable asset within the industry. In parallel, whilst contracts have not been signed, we are making substantial progress in our discussions with the Tier-1 wireless backhaul OEM around the development of an ASSP solution that would not only meet their specific needs but also be offered to the broader market.

With these developments in mind, I am optimistic that the Company will secure the necessary funding to execute its transformative five-year ASSP (Application-Specific Standard Product) business plan. This plan leverages our proven technology, strategic IP, and customer relationships to position the Company as a key player in the evolving semiconductor landscape.

I would like to thank our employees, partners, and shareholders for their continued support and commitment during this transitional period. I look forward to the next phase of growth with renewed confidence.

Outlook

The Company is optimistic of securing a strategic agreement for the fabrication of an ASSP with a key OEM in the coming months.

In parallel, the Company sees potential to generate short-term revenue from its FPGA-based solutions, including the ENET Switch/Router and PON products, as outlined in the recent PON Strategy announcement released on 10 June 2025.

Subject to securing the necessary funding, I am confident that we can build a strong business built on the foundation of our proven intellectual property and existing solutions.

Yosi Albagli

Chairman

29 June 2025

Chief Executive's Statement

By the end of January 2024, the Company successfully exited the temporary suspension of proceedings (“TSP”) process and initiated a strategic transition aimed at leveraging the completion of the first UEP (Universal Edge Platform) development as a fully integrated system product. This marks a key evolution beyond offering standalone FPGA SoCs (systems on chips), as Ethernity now delivers comprehensive, end-to-end solutions that include the complete ENET implementation on FPGA SoC, hardware platforms, and application software.

By moving to a system-based approach, Ethernity empowers customers to achieve faster time-to-market thereby accelerating revenue generation. The all-integrated UEP appliances—combining advanced FPGA SoCs, Ethernity's semiconductor expertise, and robust application software, eliminate the need for extensive in-house product development. This enables Ethernity's customers, including those without significant in-house engineering resources, to quickly bring high-performance solutions to the market.

This strategic shift positions Ethernity to strengthen its competitive market presence, expand its OEM customer base, and attract new partners capable of contributing meaningfully to the Company's future growth.

Ethernity Networks stands out for its cost-effective, patented routing data plane functionality implemented on FPGAs. This technology provides our customers with a significant competitive advantage - they can deliver Carrier Ethernet services using our base data processing engine at an attractive price point, while retaining the flexibility to unlock advanced routing capabilities via software licensing. This unique routing engine offering embedded within the ENET Data processor pipe line was the key reason a Tier-1 Aerospace OEM selected Ethernity as its supplier, entering into a licensing agreement initially valued at \$1.05 million, which was subsequently extended to approximately \$1.35 million in H1 2025.

Our patented routing solution, embedded within the UEP, was fully validated and has now been tested and integrated successfully into this customer's platform.

While we are encouraged by the contract signed with this Tier-1 U.S. Aerospace OEM, it is disappointing that we did not secure the anticipated FPGA SoC orders from our U.S. fixed wireless customers, despite earlier discussions and indications suggesting otherwise. This outcome was primarily due to a nearly 50% price increase in the specific FPGA SoC compared to 2022, including a 20% price hike implemented in Q4 2024, which influenced the customer's procurement decision.

Additionally, we were unable to generate further FPGA-based business for the UEP during 2024. One potential engagement was impacted by the customer's financial difficulties, while another opportunity, centered around licensing discussions and FPGA SoC procurement, did not materialize due to the customer's preference to acquire a complete end-product from Ethernity under a resale model, which did not align with the Company's business strategy.

In addition, a third potential FPGA customer, a Tier-1 wireless backhaul OEM that evaluated our UEP platform during 2024, proposed transitioning the FPGA-based design directly into an ASSP solution. The OEM noted that the UEP already encompasses all the required features for their platform, with the key advantage being its full integration with software applications. This level of integration significantly reduces the development burden typically placed on OEMs when adopting new silicon solutions. Recognizing the value of a ready-to-deploy, fully integrated system, the OEM has expressed a potential willingness to co-fund the development and, in a request for information (RFI) submitted to the Company, indicated that it would be willing to allow Ethernity to commercialize the resulting device as an ASSP for the global market.

In parallel to the testing conducted by the aforementioned Tier-1 OEM, another leading wireless backhaul vendor evaluated our product during 2024. Although the process was temporarily halted due to internal personnel team changes, the evaluation later resumed under a different group within the company. Following this renewed

engagement, the vendor has recently expressed strong interest in acquiring the current UEP as a turnkey solution to support a unique wireless use case, one that Ethernity's UEP is uniquely capable of addressing. Beyond their immediate product interest, the vendor also demonstrated enthusiasm for our planned ASSP, highlighting a potential willingness to co-fund its development in collaboration with other strategic partners (See Strategic Section for further details).

The ASSP opportunity, if realized, could represent a pivotal step in Ethernity's transformation into a leading provider of high-performance, cost-efficient ASSPs for the networking market.

As a result, management shifted the Company's focus toward building a comprehensive development and financial plan for the proposed ASSP device. This included obtaining detailed cost estimates from various sources to ensure an accurate and sustainable execution strategy.

In parallel, the Company began transitioning its R&D efforts toward the implementation of the ASSP, aligning technical resources with the strategic direction of the business.

The Board believes that Ethernity's ASSP will offer a compelling value proposition for OEM customers by combining the power of our cost-effective Data Processing Unit (DPU) SoC combining patented routing LPM (Longest Prefix Match) algorithm, patented L1 bonding, and other long standing architectural patents, with our innovative low-latency PON technology. This comprehensive suite provides a versatile umbrella of wired, fiber and wireless access solutions. Therefore, with a clear ASSP roadmap the Company anticipates, based on the customer interactions as detailed in this report, that there is an opportunity to build a strong business foundation going forward, serving the growing addressable markets of:

- **Surging Bandwidth Demands:** The ever-increasing demand for bandwidth, driven by cloud services and artificial intelligence at the network edge, creates a significant opportunity for Ethernity's solutions.
- **IP-Based Network Expansion:** The growth of IP-based next-generation networks is a key market driver for our high-performance offerings.
- **Fiber Access Boom:** The widespread deployment of fiber optics and the dominance of PON technology for fiber access perfectly aligns with Ethernity's strengths.
- **Rise of Edge Computing:** The growing adoption of edge computing deployments creates a strong demand for our low-latency solutions.
- **5G Expansion:** The global rollout of 5G networks fuels the need for innovative wireless backhaul solutions, a core competency of Ethernity.
- **Carrier Ethernet Adoption:** The increasing adoption of Carrier Ethernet for wireless backhaul applications presents a significant growth opportunity.

Current trading

As reported in the trading update dated 23 April 2025 the Company anticipated collecting \$700,000 during the first four months of 2025, of which \$400,000 was received at the beginning of January 2025. The Company also announced receipt of an additional purchase order valued at \$290,000 from the Tier-1 U.S. Aerospace OEM.

The majority of this order was successfully delivered and recognized in the second quarter of 2025, along with completion of the original \$1.05 million base licensing agreement following completion of testing and porting of the deliveries on the customer platform. As part of this Completion \$160,000 was recognised as revenue. As a result, total revenue recognized from this customer during First Half of 2025 (H1 2025) amounted to approximately \$498,000.

In addition to the Aerospace contract, the Company also generated recurring income from royalties and maintenance services provided to other customers.

Recap on ASIC opportunity, strategy and outlook

Following extensive testing throughout 2024 by Tier-1 OEM vendors, the Company's UEP solution, featuring its patented Layer 1 (L1) link bonding technology and a fully integrated L2/L3 networking stack, demonstrated strong performance and market fit. As a result, in Q4 2024, one of the leading vendors approached the Company with a request to obtain a quote for the development of an ASSP specifically tailored for mobile backhaul over microwave and E-Band networks which would also be made available to the global market.

In response, the Company developed a comprehensive business and development plan for the proposed ASSP. This initiative has since attracted significant interest, with four major wireless OEMs, collectively representing approximately 49% of the global wireless backhaul market, expressing an interest to potentially adopt the device.

The Board believes that these vendors collectively recognize the strategic value of the Company's integrated intellectual property portfolio, comprising the production-ready RTL code currently running on FPGA, the fully integrated L2/L3 networking software stack, and the complete, operational UEP platform that forms the basis for the proposed ASSP. Based on internal evaluations and industry benchmarks, Ethernity estimates that the value of these combined technology assets to a wireless vendor of Ethernity's existing FPGA based UEP offering ranges between \$16 million and \$25 million compared to developing the ASIC solution from scratch. Furthermore, the Company estimates that should OEMs decide to develop such an ASIC from scratch, it would take them approximately three years to reach the level of a production-ready platform that the Company has already achieved, after which they could only begin the ASIC development process, which would result in ASIC availability in approximately five years. This underscores not only the commercial potential of the ASSP initiative but also the broader market recognition of the Company's differentiated and mature technology.

In response, subject to securing the funding that would be required to develop the ASSP, the Company plans to transition its business operations, with the strategic objective of becoming a semiconductor vendor.

The planned ASSP will address key requirements across the wireless backhaul, carrier switch/router (CSR), Carrier Ethernet, and broadband markets—positioning the Company to deliver high-performance, cost-effective semiconductor solutions to leading global OEMs.

A number of wireless OEMs have indicated that they would be willing to participate in joint funding of the ASSP with other vendors, however this approach may create complications in future pricing and gross margin for the ASSP opportunity. Therefore, with the expanded ASSP business into Broadband market with the inclusion of PON, the Company is aiming to bring in one strategic partner from the wireless domain and one from the PON domain.

Discussions regarding co-funding with one of the leading global Wireless Backhaul OEMs are progressing well. The OEM has allocated additional internal resources to support the engagement, which is expected to help facilitate its execution and contribute significantly to the successful implementation of the device.

Whilst no contracts have been signed to date, the business scope between Ethernity and this leading wireless backhaul OEM, has been largely agreed in principal, subject to final alignment and contract. This business scope forms the foundation for the ongoing business and technical discussions and the Company hopes to sign a letter of intent with this partner in the near future.

The scope being finalised with the OEM includes terms which would result in a significant NRE to partially fund the development of the ASSP/ASIC, along with an extensive commitment for device orders following availability. Given the strategic importance of volume production in fabricating an ASSP/ASIC, the device will also be offered to other Wireless Backhaul OEMs which could generate significant further revenue for the Company once available.

Furthermore, by integrating PON capabilities into the ASSP, the same device would be extended to serve the Broadband market—potentially generating revenue on par with the wireless backhaul segment.

Furthermore, the Company is currently focusing its technical and commercial discussion with other vendors that are familiar with Ethernity's offerings and value what we offer for the PON market. We anticipate that one of the OEMs that generates significant revenue in the remote OLT market, will partially co-fund the ASSP.

Should these opportunities progress as expected, the Company is confident that it would be able to secure the required funding to be able to develop the ASSP alongside the co-funding from its lead wireless backhaul OEM partners.

While the development of the ASSP is expected to take approximately 18–20 months from project initiation, the majority of the Company's revenue during this period would be derived from the NRE associated with the co-funding of the ASSP, along with additional revenue that the Company expects to generate in the short-term from its FPGA-based solutions, including the ENET Switch/Router and PON products, from licensing and selling customized FPGA based hardware solution.

Once the ASSP is available, it is anticipated that the Company's revenue will primarily come from supplying the device at a higher gross margin, along with associated services related to the new ASSP.

Subject to securing the necessary funding, I am confident that we can establish a transformative business operation built on the foundation of our proven intellectual property and existing solutions, which, along with the future availability of the ASSP, has the potential to generate significant revenue for the Company and as a leader in the semiconductor telecom access networking and broadband market.

David Levi

Chief Executive Officer

29 June 2025

Financial Review

Financial Performance

I am pleased to present my first Annual Report as CFO of the Company. I took over the CFO role in the midst of a challenging period with a goal to maneuver the financial planning for the Company that was operating under a Creditor arrangement.

During this period the Company focused on pure 100% gross margin revenue resulting from licensing fees, or royalties and refrained from taking any commitment that would require pre-purchasing of components or pre-production based on future orders, with its main goal to reduce to the minimum any cash flow risks.

Furthermore, the Company operated in cooperation with the settlement manager to complete the creditors payments to the first priority creditors and support the Company in converting short terms liabilities to long term liabilities.

Key Highlights:

- FY 2024 revenue of \$1.38 million represents 63% decrease vs. 2023 revenues (2023: \$3.78 million), while gross profit decreased by 46% to \$1.3m (2023: \$2.3m), however, the gross margin percentage increased to 92.1% in 2024 from 61.9% in 2023 reflecting an increase of 30.2%
- Operating loss decreased from \$5.3 million in 2023 to \$5.1 million in 2024, reflecting a decrease of 4%
- EBITDA loss decreased by 10% to \$3.48 million (2023: \$3.86 million)
- Net cash funds raised during the year amounted to \$1.86 million
- Cash and cash equivalents at 31 December 2024 of \$0.05 million (\$0.1million restricted cash in other long term assets) (31 December 2023: \$1.99 million). During January 2025 the Company collected \$0.39 million from its customers.

Key financial results

EBITDA

Although EBITDA is not a recognised reportable accounting measure, it provides a meaningful insight into the operations of the Company when removing the non-cash or intangible asset elements from trading results along with recognising actual costs versus various IFRS adjustments, in this case being the amortisation and non-cash items charged in operating income and the effects of IFRS 16 treatment of operational leases.

The EBITDA for the financial year ended 31 December 2024 is presented as follows:

EBITDA	US Dollar		Increase (Decrease)	%
	For the year ended 31 December 2024	2023		
Revenues	1,383,565	3,777,919	(2,394,354)	(63%)
Gross Profit	1,274,826	2,340,142	(1,065,316)	(46%)
Gross Margin %	92.1%	61.9%		30.2%ppts
Operating loss	(5,089,505)	(5,280,652)	191,147	(4%)
Adjusted for:				
Amortisation of Intangible Assets	961,380	961,380	-	

Depreciation charges on fixed assets	315,532	138,782	176,750	
Depreciation in respect of IFRS16	334,400	315,884	18,516	
EBITDA	(3,478,193)	(3,864,606)	386,413	(10%)
Add back Share based compensation charges	212,680	72,287	140,393	
Add back vacation accrual charges	27,954	(109,026)	136,980	
Add back impairments	140,843	220,220	(79,377)	
Adjust IFRS16 rent expense reversals	(216,479)	(398,033)	181,554	
Adjusted EBITDA	(3,313,195)	(4,079,158)	765,963	(19%)

The EBITDA losses decreased during the year 2024 by 10% from \$3.86 million in 2023 to \$3.48 million in 2024. The decrease is attributed to the decrease in revenues as well as the cost savings which have been implemented across the board in the various operating department expenses.

The adjusted EBITDA measure which adds back various non-cash items improved by 19% in comparison to the previous year from an adjusted EBITDA loss of \$4.1 million in 2023 to \$3.3 million in 2024.

The EBITDA comparison of the first six months of 2024 with the latter six months of 2024 is presented as follows:

EBITDA	US Dollar		Increase (Decrease)	%
	For the 6 months ended 31-Dec-24	30-Jun-24		
Revenues	801,557	582,008	219,549	38%
Gross Profit as presented	708,224	566,602	141,622	25%
<i>Gross Margin %</i>	<i>88.36%</i>	<i>97.35%</i>		<i>(9.2%)ppts</i>
Operating loss as presented	(2,692,503)	(2,397,002)	(295,501)	12%
Adjusted for:				
Amortisation of Intangible Assets	480,690	480,690	-	
Depreciation charges on fixed assets	156,962	158,570	(1,608)	
Depreciation in respect of IFRS16	167,200	167,200	-	
EBITDA	(1,887,651)	(1,590,542)	(297,109)	19%
Add back Share based compensation charges	71,780	140,900	(69,120)	
Add back vacation accrual charges	27,954	0	27,954	
Add back impairments	131,303	9,540	121,763	
Adjust IFRS16 rent expense reversals	513	(216,992)	217,505	
Adjusted EBITDA	(1,656,101)	(1,657,094)	993	(0%)

The EBITDA losses increased during the latter half of 2024 by 19% from \$1.59 million in the first six months of 2024 to \$1.89m in the latter half of 2024.

The adjusted EBITDA losses of \$1.66 million during the latter half of 2024 is equal to the adjusted EBITDA of the first six months of 2024.

Summarised trading results

Summarised Trading Results	US Dollar		Increase (Decrease)	%
	Audited For the year ended 31 December			
	2024	2023		
Revenues	1,383,565	3,777,919	(2,394,354)	(63%)
Gross Profit	1,274,826	2,340,142	(1,065,316)	(46%)
<i>Gross Margin %</i>	<i>92.1%</i>	<i>61.9%</i>		<i>30.2%ppts</i>
Operating Loss	(5,089,505)	(5,280,652)	191,147	(4%)
Financing costs	(770,645)	(1,267,906)	497,261	(39%)
Financing income	27,441	183,811	(156,370)	(85%)
Net comprehensive loss for the year	(5,832,709)	(6,364,747)	532,038	(8%)
Basic and Diluted earnings per ordinary share	(0.01)	(0.04)	0.03	(76%)
Weighted average number of ordinary shares for basic earnings per share	550,797,251	143,876,859		

Revenue Analysis

Revenues for the twelve months ended 31 December 2024 decreases by 63% to \$1.38 million (2023: \$3.78 million).

The revenue mix will continue to evolve as the Company progresses in achieving the desired mix of the revenue streams from the sale of products and solutions in addition to software revenue and NRE from IP licenses and services.

Margins

The gross margin percentage increased to 92.1% in 2024 from 61.9% in 2023 reflecting an increase of 30.2% percentage points which is mainly attributed to the increased licensing revenues which carry a 100% profit margin compared to sales of hardware and FPGA SoC.

Operating Costs and Research & Development Costs

After adjusting for the amortisation of the capitalised Research and Development Costs, Depreciation, IFRS Share Based Compensation and payroll non-cash accruals adjustments, the resultant increases (decreases) in Operating costs, as adjusted would have been:

Operating Costs	US Dollar For the year ended 31 December		Increase (Decrease)	%
	2024	2023		
Total R&D Expenses	3,743,495	5,160,697	(1,417,202)	(27%)
R&D Intangible amortisation	(961,380)	(961,380)	-	0%
Vacation accrual reversals (expenses)	(25,919)	57,569	(83,488)	(145%)
Share Based Compensation IFRS adjustment	(208,631)	(58,755)	(149,876)	255%
Research and Development Costs net of amortisation, Share Based Compensation, IFRS adjustments and Vacation accruals	2,547,565	4,198,131	(1,650,566)	(39%)
Total G&A Expenses	2,086,180	1,841,842	244,338	13%
Share Based Compensation IFRS adjustment	(4,049)	(17,710)	13,661	(77%)
Vacation accrual reversals (expenses)	129	21,196	(21,067)	(99%)
Impairment losses of financial assets	(140,843)	(220,220)	79,377	(36%)
Fixed Assets Depreciation Expense	(315,532)	(138,782)	(176,750)	127%
Depreciation in respect of IFRS16	(334,400)	(315,884)	(18,516)	6%
General and Administrative expenses, net of depreciation, Share Based Compensation, IFRS adjustments, Vacation accruals and impairments.	1,291,485	1,170,442	121,043	10%
Total Sales and Marketing Expenses	534,896	621,052	(86,156)	(14%)
Share Based Compensation IFRS adjustment	-	4,178	(4,178)	(100%)
Vacation accrual reversals (expenses)	(2,164)	30,261	(32,425)	(107%)
Sales and Marketing expenses, net of Share Based Compensation and Vacation accruals.	532,732	655,491	(122,759)	(19%)
Total	4,371,782	6,024,064	(1,652,282)	(27%)

Research and Development costs after reducing the costs for the amortisation of the capitalised Research and Development intangible asset, share based compensation and adding back for vacation accrual adjustment have decreased by 39% from \$4.2 million in 2023 to \$2.5 million in 2024. This is mainly attributed to the employees cost savings during 2024.

An increase of 10% is noted in the General and Administrative costs over 2024 to \$1.3 million after adjusting for depreciation, share based compensation, IFRS adjustments, impairments and vacation accrual adjustments. This increase is attributable to the professional fees.

A decrease in the Sales and Marketing costs during the 2024 financial year is mainly due to decrease in employee remuneration and related costs resulted in a decrease of 19% of the Sales and Marketing costs net of the non-cash

item adjustments of IFRS share based compensation adjustment as well as the vacation accrual adjustment from \$0.66 million in 2023 to \$0.53 million in 2024.

Recognition of Research and Development Costs

In line with the change in policy adopted by the Company from 1 July 2019, the Company continues to no longer recognise the Research and Development costs as an intangible asset and is recognising them as an expense and charged against income in the year incurred.

For the years ended 31 December 2021, 2022, and 2023 management performed their own internal assessment of the fair value of the intangible asset and concluded that the value of the asset is fair and no impairment of the intangible asset on the balance sheet is required. This process was repeated by management for the financial year under review, the year ended 31 December 2024, and the company believes it is close to executing a major NRE business deal related to the ASIC opportunity based on the Company's integrated Intellectual property portfolio, as described in the Chief Executive's Statement, and the assertion that the underlying value of the intangible asset exceeds the carrying value on the balance sheet remains unchanged.

Balance Sheet

Although it was a challenging year, due to the Temporary Suspension of Proceedings order ("TSP"), the Company continued to undertake its business and operations as usual with no restrictions. The Company completed three fundraisings during the year which resulted in net cash inflows amounting to \$1.9 million. As of 31 December 2024, the Company had fully repaid its guaranteed creditors and partially paid the priority creditors, all in compliance with the settlement plan.

Furthermore, there have been other changes on balance sheet items as follows:

- Increase in Trade receivables due to issue of invoices during December 2024.
- Inventories reduced as the Company no longer stocks up on high-cost inventory following the ease of the global components shortage and reduction in inventory lead-times.
- Intangible asset on the balance sheet continues to reduce in carrying value due to the annual amortisation with an approximate 3.5 years of amortisation remaining. The current carrying value of \$3.5 million is a result of the Company historically adopting the provisions of IAS38 relating to the recognition of Development Expenses, which methodology as noted in the 2019 Annual Report has ceased from 1 July 2019.
- Operating lease right of use asset and the lease liability – in October 2021 the Company committed to a five-year agreement for its primary offices in Airport City Israel. At the termination of the lease, the Company has an option to renew it for a further five years. As at 31 December 2022 such renewal option was considered as reasonably certain to be exercised according to IFRS16. As at 31 December 2023, the Company's assessment was that such the option for the five year extension may not be exercised due to the decline in rental prices within the premises market. In light of the reassessment, the lease asset as well as the lease liability have been adjusted to reflect the current state of the Company's asset and commitment given the end of lease in November 2026. Under the signed contract, the remaining liability as at 31 December 2024 is \$0.76 million.
- Trade payables and other liabilities increased in light of the signing of the settlement plan following the Company's exit of the Temporary Suspension of Proceedings ("TSP"). According to the settlement plan, the Company will repay in full all debts outstanding as of 16 October 2023 (date at which the Company entered into the TSP) in quarterly instalments in the order of the debts' seniority and in compliance with the settlement plan. In May 2025, the Company completed all the payments due to all the creditors under the settlement plan. Following the conclusion of the TSP, and the settlement plan, the Company continues to undertake its business and operations as usual with no restrictions.

Summary of Fundraising Transactions and related Liabilities in respect of fundraising transactions

During the twelve-month period ended on 31 December 2024, the Company has completed the following fundraisings:

- May 2024 – Gross proceeds of £0.8 million (approximately \$1.01 million)
- September 2024 – Gross proceeds of £0.57 million (approximately \$0.76 million)
- December 2024 – Gross proceeds of £0.13 million (approximately \$0.17 million)

The Company holds a liability for the outstanding warrants it has issued as part of January 2023 placing amounting to £15,353.

Going Concern

In the presentation of the annual financial statements for the year ended 31 December 2024, the Company makes reference to going concern within the audit report. Reference to this is further made in Note 2 to the Annual Financial Statements presented herein.

Tomer Assis

Chief Financial Officer

29 June 2025

Board of Directors

Joseph (Yosi) Albagli (Non-Executive Chairman)

Yosi was formally appointed as the Independent Non-executive Director and Chairman on 10 March 2021. Yosi comes from an engineering background, and has over 30 years of experience in engineering, business strategy, management, and entrepreneurship in the communications high-tech industry. Yosi co-founded and served as President and CEO of Tdsoft Ltd in 1994, driving the company toward becoming the leader in V5 solutions. In 2005, he led a reverse merger with VocalTec (NASDAQ: VOCL) becoming President, CEO and a board member, growing the company's market share, and establishing it as a leader in Voice-over-IP technology. Yosi also served as President and CEO of CTWARE Ltd., as a board member of ITGI Medical (TASE), and as President of the Satellite Communications division for Orbit Communication Systems (TLV: ORBI). Yosi is currently serving as the Co-Founder and Chairman of Over-Sat Ltd, a satellite communications company and as CTO of Cassiopeia Space Systems Inc. Yosi is a Cum Laude graduate of The Technion – Israel Institute of Technology with a BSc degree in Civil Engineering, a graduate of Computer science of the Tel Aviv University and a veteran of the Israeli navy, in which he taught electronics.

David Levi (Chief Executive Officer)

David has over 28 years in the telecom industry, with vast technical and business experience in ATM, voice, TDM, SONET/SDH, Ethernet and PON. Prior to founding Ethernity, David was the founder of Broadlight, a semiconductor company that developed BPON and GPON components and was acquired by Broadcom (BRCM) for \$230 million. David invented the GPON protocol with two US patents registered in his name. Prior to this, David worked as Director of Product Marketing at ECI Telecom in the Broadband Access division, and Senior Product Line Manager at RAD, responsible for \$50 million product line sales, a product manager at Tadiran Communication, sales manager at Dynamode Ltd. David holds an BSc Degree in Electronic Engineering from The Jerusalem College of Technology and an MBA from Bar Ilan University, and is a veteran officer (Major) of the Israeli Defense Forces, in which he served as a Systems Engineer and project manager.

Shavit Baruch (VP Research and Development)

Shavit has over 28 years of experience in the telecom and datacom industry, with vast technical experience in ATM, Ethernet and SONET/SDH, both at the components and system level. Prior to Ethernity Networks, Shavit served as Chief Architect at Native Networks, a start-up company developing products for the Metro Ethernet market. Prior to this, in 2002, Shavit established Crescendo Networks, a start-up company enhancing data center applications performance. Prior to the venture at Crescendo, Shavit served as R&D Director at ECI Telecom, where he was in charge of the development of all transmission cards for one of the world's most successful broadband systems. Earlier, Shavit worked at Lannet Data Communication, acquired by AVAYA, designing, together with Galileo, Ethernet Switch on Silicon. Shavit holds an MSc. Degree in Electronic Engineering from Tel-Aviv University and is a veteran officer (Major) of the Israeli Defense Forces, in which he developed Electronic Systems

Richard Bennett (Independent Non-Executive Director)

Richard Bennett has extensive business and listed company experience over a career spanning 30 years. During that time, he has worked for General Electric in Asia and the US and co-founded and listed on NASDAQ J2Global, an internet telecoms business currently valued at US\$3.5 billion. He has worked in executive, chairman and non-executive roles with a series of successful growth-focused technology and clean energy companies, currently including AIM-quoted GETECH plc, Hong Kong-quoted China New Energy Ltd and previously AIM-quoted wireless technology company, MTI Wireless Edge.

[Aviva Baczewski \(External Independent Non-Executive Director\) \(Appointed 16 April 2024\)](#)

Aviva Baczewski has over 30 years of varied finance experience including audit, consulting, regulatory and compliance, business and strategic planning and acquisition due diligence assignments. She started her career working for Andersen in both Australia and then Israel for a total of 15 years. Since then, she has held both finance and investor relations roles in publicly traded companies, including ICL Group Ltd and Evogene Ltd, which are both listed on Nasdaq and the Tel Aviv Stock Exchange ("TASE"). She currently acts as Director of Investor Relations for Pluri, Inc, a Nasdaq and TASE listed company. Aviva has also been a board member of the Israel Australia Chamber of Commerce since November 2022.

[Julie Kunstler \(External Independent Non-Executive Director\) \(Appointed 16 April 2024\)](#)

Julie Kunstler has over 30 years' experience in the communications components, equipment, and software industry, having served as an executive, venture-fund investor, analyst, and board member. Most recently, Julie held the position of Chief Analyst - Broadband Access Intelligence Service for Omdia (a division of Informa Tech), covering the fixed broadband access industry ecosystem. Prior to joining Omdia, Julie served as VP Business Development for Teknovus, a venture-backed broadband access PON (Passive Optical Network) chip start-up, where she assisted with fundraising, corporate strategy, OEM agreements, and its acquisition by Broadcom.

Corporate Governance Statement

Introduction

The Board is responsible to shareholders for the effective direction and control of the Company, with the aim of generating long-term success for the Company.

The directors recognise the importance of high standards of corporate governance and in accordance with the AIM Rules for Companies and their requirement to adopt a recognised corporate governance code, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the “the Code”). The QCA Code was developed by the QCA’s Corporate Governance Expert Group and a standalone Working Group comprising leading individuals from across the small & mid-size quoted company ecosystem.

As a company incorporated in Israel the Company also complies with the corporate governance provisions of Israel’s Companies Law, 5759-1999 (the “Companies Law”) as may be applicable, the more relevant of which relates to the constitution of the Board of Directors, the Audit and Risk Committee and the Remuneration Committee. Whilst the Israeli Law requirements are more onerous, these have been incorporated into the requirements and guidance under the QCA Code.

The Board believes that good corporate governance reduces risks within the business, promotes confidence and trust amongst stakeholders and is important in ensuring the effectiveness and efficiency of the Company’s management framework.

The Code is based around ten broad principles of good corporate governance, aimed at delivering growth, maintaining a dynamic management framework, and building trust. The application of the Code requires the Company to apply these ten principles and to publish certain related disclosures on its website and in its Annual Report. The Company addresses the key governance principles defined in the QCA Code as outlined on the Company website.

Further details of the Company’s approach to the 10 principles of the Code and how it applies these principles, which is updated at least annually as required, with the most recent Company update being 5 May 2024, can be found on the Company’s Website section for Investors at <https://ethernitynet.com/investors/#1454056723887-bab53599-82b7>

The Directors and the Board

The Board is currently comprised of two executive directors, David Levi and Shavit Baruch, and four non-executive directors, Joseph (Yosi) Albagli (Chairman), Richard Bennett, Aviva Banczewski, and Julie Kunstler. The balance between executive and non-executive directors encourages a diversity of views, and ensures the independence of the directors, not allowing any group to dominate the Board’s decision making.

In accordance with Israel Companies Law, the Board must always have at least two external directors who meet certain statutory requirements of independence (the “External Directors”). The Company’s External Directors are currently Aviva Banczewski and Julie Kunstler. The two external directors were appointed on 16 April 2024. The term of office of an External Director is three years, which can be extended for two additional three-year terms. Under the Companies Law, External Directors are elected by shareholders by a special majority and may be removed from office only in limited cases. Any committee of the Board must include at least one External Director and the Audit and Risk Committee and Remuneration Committee must each include all of the External Directors (including one External Director serving as the chair of the Audit and Risk Committee and Remuneration Committee), and a majority of the members of each of the Audit and Risk Committee and Remuneration Committee must comply with the director independence requirements prescribed by the Companies Law.

The detailed composition of the board is as follows:

<i>Joseph (Yosi) Albagli</i>	Independent Non-Executive Chairman Chairman of the Nomination Committee <i>(Companies Law precludes the Chairman from being a member of the Audit and Remuneration Committees)</i>
<i>David Levi</i>	Chief Executive Officer Nomination Committee member
<i>Shavit Baruch</i>	Vice President R&D
<i>Richard Bennett</i>	Independent Non-Executive director Audit and Risk Committee member Remuneration Committee member Nomination Committee member
<i>Aviva Banczewski*</i>	External Director <i>(appointed 16 April 2024)</i> Audit and Risk Committee Chair Remuneration Committee member
<i>Julie Kunstler*</i>	External Director <i>(appointed 16 April 2024)</i> Remuneration Committee Chair Audit and Risk Committee member

*Aviva Banczewski and Julie Kunstler were appointed on 16 April 2024.

Operation of the Board

The Board is responsible for the overall strategy and financial performance of the Company and has a formal schedule of matters reserved for its approval. In order to lead the development of the strategy of the Company and the progress of financial performance, the Board is provided with timely information that enables the Board to review and monitor the performance of the Company and to ensure it is in line with the Company's objectives in order to achieve its strategic goals.

The CFO and Company Secretary, Tomer Assis, is responsible for ensuring that the Company complies with the statutory and regulatory requirements and maintains high standards of corporate governance.

During 2024, the Board met formally on fourteen occasions. Board members also hold ad hoc discussions amongst themselves between formal Board meetings to discuss governance, financial, operational, and other business matters. A majority of the Board members constitute the legal quorum for a board meeting. All Directors receive a board pack comprising an agenda and all relevant operational information in advance of each meeting.

Attendance at Board and Committee meetings by members of the Board during the year ended 31 December 2024 was as follows:

	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
Number of meetings	14	4	1	1
Yosi Albagli	14	2	1	1
David Levi	14	2	1	1
Ayala Deutsch (note 1)	11	4	0	0
Shavit Baruch	14	2	0	0
Julie Kunstler	14	4	1	0
Aviva Banczewski	14	4	1	0
Richard Bennett	14	4	1	1
Note.				
1. Ceased to act as director on 9 Oct 2024.				

Re-election of Directors

In accordance with the Company's Articles, Directors are required to serve for a period of no less than three years from the date of their appointment, or, in the case of Admission, for three years from the date of the Company's admission to AIM.

Following the General Meeting of the Company held on 14 August 2023, the terms of David Levi and Shavit Baruch, in their capacities as directors, were extended until 22 June 2026.

Yosi Albagli was formally appointed as the Independent Non-Executive Chairman on 10 March 2021 for an initial term of three years. On 8 March 2024, the Board re-appointed Yosi as Non-Executive Chairman on an interim basis, which was subsequently approved by the Remuneration Committee. Thereafter, his reappointment as a Board member and his remuneration as Chairman of the Board were approved by the shareholders during the Annual General Meeting held on 18 August 2024.

Richard Bennett was appointed as an Independent Non-Executive Director on 7 April 2022 for an initial term of three years and, as such, becomes eligible for re-election in 2025.

Ayala ceased to serve as Chief Financial Officer and as a member of the Board on 9 October 2024. Tomer Assis was nominated to serve as Chief Financial Officer, without Board membership.

Board Committees

The Board has established properly constituted Audit and Risk, Remuneration and Nomination Committees of the Board with formally delegated duties and responsibilities.

Audit and Risk Committee

The QCA Corporate Governance Code recommends that an Audit and Risk Committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience. The Israel Companies Law requires that at least two the External Directors and one other non-executive director are members of the Committee, and that the Chairman of the Company may not be a member of the Committee.

The Audit and Risk Committee, which comprises the Independent Non-Executive and External Directors (excluding the Chairman) and by permanent invite the CFO. The Committee is chaired by Aviva Banczewski with the remaining members being Julie Kunstler and Richard Bennett. The Committee invites other members of the Board as well as the Independent and Internal Auditors of the Company to attend meetings as appropriate. The Audit and Risk Committee has responsibilities which include the review of:

- The Company's internal control environment;
- Financial risks and Internal Audit;
- Financial statements, reports, and announcements, including the Board's responsibility to present an annual report that is fair, balanced, and understandable. The Committee evidences this review in a report to the Board following its meeting with the auditors to discuss their Report to the Committee and includes an assessment of the information provided in support of the Board's statement on going concern and on any significant issues and how those issues were addressed;
- Independence of auditors, including a review of the non-audit services provided and the level of such fees relative to the audit fee. In reviewing the Annual Financial Statements, discussions take place with the Auditor's without executive management present and discussions are also held on the effectiveness of external audit; and
- Ensuring the Company has a policy which allows any member of staff to raise, in confidence, any concern about possible impropriety in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for a proportionate independent investigation of such matters including any follow-up action required.

During the year ended 31 December 2024, the Committee met on four occasions and the matters considered included the following:

- Consideration of the Company's annual audited financial statements for the year ended 31 December 2023, review of going concern, treatment of the equity and finance transactions undertaken in the financial statements and recommendation to the Board for publication thereof.
- Review of the Interim Unaudited Financial Statements as at 30 June 2024, review of going concern and reporting, treatment of the equity and finance transactions undertaken, and formal recommendation to the Board for the Issuance of the Interim Unaudited Financial Statements as at 30 June 2023.

Remuneration Committee

The Israel Companies Law requires that at least two of the External Directors and one other non-executive director are members of the committee, and that the Chairman of the Company may not be a member of the Committee.

The Remuneration Committee comprising the Independent Non-Executive and External Directors (excluding the Chairman) is chaired by Ms. Julie Kunstler, with the remaining members Aviva Banczewski and Richard Bennett.

The Remuneration Committee has responsibility for reviewing and recommending to the Board the remuneration and incentive arrangements for the executive and non-executive directors, and delegated authorities to the chief executive relating to senior staff. The Remuneration Committee also has responsibility for:

- Recommending to the Board the adoption of or variations to a Compensation Policy for Office Holders and monitoring its implementation.
- Recommending to the Board any changes to the remuneration and incentive arrangements in accordance with the policy, for each executive and non-executive director (excluding the External directors), and senior executives.

The remuneration of all External Directors is fixed in terms of Israel Companies Law.

During the year ended 31 December 2024, the Remuneration Committee met formally on three occasions to finalise for recommendation to the Board of Directors the executive director remuneration and incentive packages. Furthermore, the Remuneration Committee formally recommended to the board the option grants to employees.

Nominations Committee

The Committee's responsibilities include ensuring that the size and composition of the Board is appropriate for the needs of the Company including an assessment of the diversity profile, selecting the most suitable candidate or candidates for the Board and to oversee succession planning aspects for the Board.

During the year under review, the Committee comprised the Non-Executive Chairman Yosi Albagli, the Chief Executive Officer David Levi, and Independent Non-Executive Director, Richard Bennett.

During the year ended 31 December 2024, the Nominations Committee met formally on one occasion in order to formalize and recommend the appointment of Tomer Assis as CFO.

Other board members participate as required.

Internal Control

The Board considers on an ongoing basis the process for identifying, evaluating, and managing significant risks faced by the Company. This has been in place throughout the year and up to the date of approval of the Financial Statements. The process is regularly reviewed by the Board. The Directors are responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Company's system of internal control includes appropriate levels of authorisation and segregation of duties. Financial information is presented to the Board regularly comprising management accounts and other financial data which allows for regular reviews of performance.

The Company's key internal financial control procedures include:

- A review by the Board of actual results compared with budget and current forecasts;
- Reviews by the Board of year end forecasts; and
- The establishment of procedures for capital expenditure and expenditure incurred in the ordinary course of business.

The external auditors are engaged to express an opinion on the financial statements. They discuss with management the reporting of operational results and the financial condition of the Company, to the extent necessary to express their audit opinion.

Internal Audit

The Internal Auditors presented their 2024 review report to the Audit and Risk Committee in September 2024. Their report focused on the Insurance array as was outlined in the Annual Report of 2024.

- Review of the business, identify key high risk areas and review controls.
- Identify risks.
- Assess risks and present findings.
- Preparation and agreement of an implementation plan addressing the high risk recommendations.

Directors' Report

The Directors present their Annual Report and the audited Financial Statements for the financial year ended 31 December 2024.

Principal Activities

Ethernity Networks is a technology solutions provider that develops and delivers data processing technology and solutions used in high-end Carrier Ethernet applications across the telecom, mobile, security and data center markets. The Company's core technology, which is populated on programmable logic, enables delivering data offload functionality at the pace of software development, improves performance and reduces power consumption and latency, therefore facilitating the deployment of virtualisation of networking functionality.

The Company is headquartered in Israel.

Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page **36**. No dividend is proposed for the year.

Risk Management

The Company's policies for managing risk arising from activities are set out in Note 26 of the Financial Statements.

Directors

The current Directors of the Company are:

Joseph Albagli *Independent Non-Executive Chairman*

David Levi *Chief Executive Officer*

Shavit Baruch *VP R&D*

Richard Bennett *Independent Non-Executive Director*

Aviva Banczewski *External Director**

Julie Kunstler *External Director**

* An independent director appointed as an External Director in terms of Israel Companies Law. Appointed on 16 April 2024.

Directors of the Company who served during 2024 but ceased to act to date:

Ayala Deutsch *Chief Financial Officer**

*Ceased to act as director on 9 October 2024.

Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out in Note 28C of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report (including the Director's Reports) and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies whose securities are trading on the AIM market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the Israel and the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

ETERNITY NETWORKS LTD.

**Financial Statements
as at 31 December 2024**

ETHERNITY NETWORKS LTD.

Financial Statements as at 31 December 2024

Table of Contents

	Page
Independent Auditor's Report	26-29
Financial Statements	
Statement of Financial Position	30
Statement of Comprehensive Loss	31
Statement of Changes in Equity	32
Statement of Cash Flows	33
Notes to the Financial Statements	34-79



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ethernity Networks Ltd.

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Opinion

We have audited the financial statements of Ethernity Networks Ltd. (the "Company"), which comprise the Statement of financial position as at 31 December 2024 and the Statement of comprehensive loss, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs Accounting Standards).

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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has an accumulated deficit of \$48.4 million and during the year ended December 31, 2024 (2023: \$42.8 million), the Company incurred a net comprehensive loss of \$5.8 million (2023: \$6.4 million) and negative cash flows from operating activities of \$3.2 million (2023: \$1.5 million). Note 2 also details that the Company depends on potential growing interest of original equipment manufacturers (OEM) to adopt the Company's offerings and solutions, as well as on the successful execution of new contracts with new and existing customers, and income from existing contracts, and that the success of the Company's plans is not assured. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

Key audit matter	Description of Key audit matter and why it is a matter of most significance in the audit	Description of auditor's response and key observations
<p>Impairment of intangible assets</p>	<p>As detailed in Note 10, as of 31 December 2024, the remaining balance of intangible assets was \$3.5 million.</p> <p>As described in Note 2G, 2L and 4 the intangible assets include development costs that were directly attributable to a project’s development phase. Such intangible assets are required to be tested for impairment when there is any indication of impairment. The impairment analysis of intangible assets involves significant management judgement and therefore we identified the impairment analysis of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement due to error.</p>	<p>Our audit work included, but was not restricted to:</p> <p>Assessing the recoverability of intangible assets by evaluating management's estimation of the value in use. Such assessment included:</p> <ul style="list-style-type: none"> - evaluating the competence of management in accordance with ISA 500 (Audit Evidence). - testing agreement to evidence obtained from various areas of the audit including cash flows forecasts of revenue, expenses and profitability, - reviewing the appropriateness of discount rates used relating to the capitalised intangible assets and assessing the reasonableness of the key assumptions used - inquiring of management regarding future expectations and including the likelihood of securing a significant contract with a third party which is in negotiation phase, - Using our internal valuation specialists to review the most recent and updated management expectations and forecasts, valuation model, working capital, useful life and the compliance with the requirements of International Accounting Standard 36 (IAS 36), Impairment of assets.

Information other than the financial statements and auditor’s report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor’s report

thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 the board of directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

FAHN KANNE & CO. GRANT THORNTON ISRAEL
Tel-Aviv, Israel, June 29, 2025

STATEMENT OF FINANCIAL POSITION

	Notes	US dollars	
		31 December	
		2024	2023
ASSETS			
Current			
Cash	5	50,713	1,993,808
Trade receivables	6	385,000	186,145
Inventories	7	218,168	535,689
Other current assets	8	132,836	427,875
Current assets		786,717	3,143,517
Non-Current			
Property and equipment	9	605,895	820,310
Intangible asset	10	3,540,040	4,501,420
Right -of -use asset	11	841,550	1,175,950
Other long term assets	12	110,678	35,144
Non-current assets		5,098,163	6,532,824
Total assets		5,884,880	9,676,341
LIABILITIES AND EQUITY			
Current			
Short Term Borrowings	13	-	96,306
Trade payables		1,361,112	1,237,113
Warrants liability	16.E.[1]	15,353	2,841
Other current liabilities	12,14	1,333,174	1,607,897
Current liabilities		2,709,639	2,944,157
Non-Current			
Other non-current liabilities	15	430,862	815,011
Non-current liabilities		430,862	815,011
Total liabilities		3,140,501	3,759,168
Equity			
Share capital	16	271,255	103,417
Share premium		49,255,030	47,299,358
Shares to be allotted		323,725	-
Other components of equity		1,547,211	1,334,531
Accumulated deficit		(48,652,842)	(42,820,133)
Total equity		2,744,379	5,917,173
Total liabilities and equity		5,884,880	9,676,341

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

STATEMENT OF COMPREHENSIVE LOSS

	Notes	US dollars	
		For the year ended 31 December	
		2024	2023
Revenue	18,28	1,383,565	3,777,919
Cost of sales		108,739	1,437,777
Gross margin		1,274,826	2,340,142
Research and development expenses	19	3,743,495	5,160,697
General and administrative expenses	20	2,086,180	1,841,842
Marketing expenses	21	534,896	621,052
Other income	22	(240)	(2,797)
Operating loss		(5,089,505)	(5,280,652)
Financing costs	23	(770,645)	(1,267,906)
Financing income	24	27,441	183,811
Loss before tax		(5,832,709)	(6,364,747)
Tax expense	25	-	-
Net comprehensive loss for the year		(5,832,709)	(6,364,747)
Basic and diluted loss per ordinary share	26	(0.01)	(0.04)
Weighted average number of ordinary shares for basic loss per share		550,797,251	143,876,859

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

STATEMENT OF CHANGES IN EQUITY

	Number of shares	Share Capital	Share premium	Shares to be allotted	Other components of equity	Accumulated deficit	Total equity
Balance at 31 December 2022	78,084,437	21,904	40,786,623	-	1,225,391	(36,455,386)	5,578,532
Employee share-based compensation	-	-	-	-	72,287	-	72,287
Net proceeds allocated to the issuance of ordinary shares	127,188,097	35,441	3,530,205	-	-	-	3,565,646
16.E.[1]							
Shares issued pursuant to share subscription agreement	168,933,439	45,331	2,762,249	-	-	-	2,807,580
16.E.[2]							
Expenses paid in shares and warrants	2,515,118	741	220,281	-	36,853	-	257,875
16.E.[3]							
Net comprehensive loss for the year	-	-	-	-	-	(6,364,747)	(6,364,747)
Balance at 31 December 2023	376,721,091	103,417	47,299,358	-	1,334,531	(42,820,133)	5,917,173
Employee share-based compensation	-	-	-	-	212,680	-	212,680
Net proceeds allocated to the issuance of ordinary shares	286,941,090	88,397	856,022	-	-	-	944,419
16.E.[1]							
Shares issued pursuant to share subscription agreement	333,750,000	78,745	1,074,592	-	-	-	1,153,337
16.E.[3]							
Shares to be allotted	-	-	-	323,725	-	-	323,725
16.E.[4]							
Expenses paid in shares and warrants	2,587,819	696	25,058	-	-	-	25,754
Net comprehensive loss for the year	-	-	-	-	-	(5,832,709)	(5,832,709)
Balance at 31 December 2024	1,000,000,000	271,255	49,255,030	323,725	1,547,211	(48,652,842)	2,744,379

STATEMENT OF CASH FLOWS

	US dollars	
	For the year ended 31 December	
	2024	2023
Operating activities		
Net comprehensive loss for the year	(5,832,709)	(6,364,747)
Non-cash adjustments		
Depreciation of property and equipment	315,530	138,129
Depreciation of right of use asset	334,400	315,884
Share-based compensation	212,680	72,287
Amortisation of intangible assets	961,380	961,380
Amortisation of liabilities due to foreign exchange movements	(11,988)	(113,078)
Lease liability Interest	98,098	200,261
Foreign exchange losses on cash balances	14,134	3,377
Capital Loss	160	-
Revaluation of financial instruments, net	576,015	818,521
Expenses paid in shares and options	25,754	257,875
Net changes in working capital		
Decrease (increase) in trade receivables	(198,855)	1,112,927
Decrease in inventories	317,521	237,387
Decrease (increase) in other current assets	295,039	(84,003)
Decrease (increase) in other long-term assets	(75,534)	545
Increase in trade payables	123,999	451,530
Increase (decrease) in other liabilities	(293,046)	422,658
Increase (decrease) in IIA royalty liability	(19,019)	73,645
Net cash used in operating activities	(3,156,441)	(1,495,422)
Investing activities		
Purchase of property and equipment	(101,275)	(148,113)
Net cash used by investing activities	(101,275)	(148,113)
Financing activities		
Proceeds allocated to ordinary shares	1,027,982	3,756,391
Proceeds allocated to warrants	913,559	132,544
Issuance costs	(83,561)	(262,444)
Proceeds from short term borrowings	41,055	1,239,657
Repayment of short-term borrowings	(136,809)	(1,543,210)
Repayment of lease liability	(433,471)	(398,033)
Net cash provided by financing activities	1,328,755	2,924,905
Net change in cash	(1,928,961)	1,281,370
Cash beginning of year	1,993,808	715,815
Exchange differences on cash	(14,134)	(3,377)
Cash end of year	50,713	1,993,808
Supplementary information:		
Interest paid during the year	4,655	64,239
Interest received during the year	1,613	226
Supplementary information on non-cash activities:		
Shares issued pursuant to share subscription agreement	767,848	1,778,468
Expenses paid in shares and options	25,754	257,875
Non-cash issuance costs	-	26,757
Update of lease liability	-	1,324,807

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND GENERAL

ETHERNITY NETWORKS LTD. (hereinafter: the "Company"), was incorporated in Israel on the 15th of December 2003 as Neracore Ltd. The Company changed its name to ETHERNITY NETWORKS LTD. on the 10th of August 2004.

Ethernity Networks provides innovative data processing and Passive Optical Network ("PON") semiconductor technology for networking appliances. The Company's comprehensive networking and security solutions deliver a full Carrier Ethernet Switch Router data plane and control software, featuring a rich set of networking capabilities, robust security, and a wide array of virtual function accelerations to optimize telecommunications networks.

Ethernity's semiconductor technology has been deployed in both FPGA and ASIC form factors and has been integrated into over one million networking platforms worldwide. Its complete, flexible solutions adapt rapidly to customers' evolving needs, reducing time-to-market and enabling efficient deployment of 5G, edge computing, mobile backhaul, carrier Ethernet, broadband access networks, and various NFV appliances including 5G UPF, vRouter, and vBNG.

In June 2017, Ethernity completed its Initial Public Offering ("IPO") and was admitted to trading on the AIM Market of the London Stock Exchange under the symbol "ENET." The Company initially targeted the Open RAN (Radio Access Network) market—an initiative promoted by service providers to encourage multi-vendor interoperability—by developing a programmable FPGA SmartNIC to accelerate 5G data plane functions such as 5G UPF and vRouter.

However, the Open RAN market has not yet matured as expected. Operators continue to deploy mobile networks using end-to-end solutions from single vendors, limiting multi-vendor adoption. In response, Ethernity repurposed its FPGA NIC designs to run on its standalone hardware platform (UEP) and integrated its patented Layer 1 (L1) wireless link bonding technology. This innovation has garnered significant interest from leading wireless backhaul OEMs, positioning the Company to pursue new high-value opportunities.

Following extensive testing during 2024 by Tier 1 OEM vendors of the Company's UEP solution, featuring its patented Layer 1 (L1) link bonding technology. These vendors approached the Company in Q4 2024 with a request to develop an Application-Specific Standard Product (ASSP) specifically designed for mobile backhaul transmission over microwave and E-Band.

In response, the Company is transitioning its business operations with the strategic objective of becoming a dedicated semiconductor vendor. This shift builds on the Company's existing integrated appliance, which combines proprietary semiconductor intellectual property for Layer 2/Layer 3 packet processing, advanced PON technologies, and embedded software applications.

The planned ASSP will address key requirements across the wireless backhaul, carrier switch/router (CSR), Carrier Ethernet, and broadband markets—positioning the Company to deliver high-performance, cost-effective semiconductor solutions to leading global OEMs.

On 12 October 2023, the Company voluntarily applied to the court in Tel Aviv, Israel for a Temporary Suspension of Proceedings order ("TSP") and the convening of a meeting of creditors in accordance with the Israeli Insolvency and Economic Rehabilitation Law. This TSP order, which was granted by the court, was requested by the Company to protect the Company's business, as the Company experienced liquidity issues from the delay in payments from expected debtors. At the time of this

application, the Company's cash balance was approximately \$107,000, while the creditors amounts due approximated \$1.6 million. The TSP order prevented the creditors of the Company from enforcing any payments due to them.

Following an equity raise in December 2023 and the collection of funds from the Company's debtors, the Company was able to make a settlement proposal, whereby valid creditors at the time of the TSP order, will be repaid in full per the timetable and conditions of the TSP court approved settlement plan over a period of 12 months. Guaranteed and priority creditors would have priority for repayment, followed by general creditors. The creditors approved this proposal which was endorsed by the court on 4 February 2024 and the Company exited the TSP process. As at 31 December 2024 the Company has fully repaid its guaranteed creditors and partially paid the priority creditors, all in compliance with the settlement plan. In May 2025, the Company completed all the payments due to all the creditors under the settlement plan. Following the conclusion of the TSP, and the settlement plan, the Company continues to undertake its business and operations as usual with no restrictions.

NOTE 2 - GOING CONCERN

As of December 31, 2024 the Company has an accumulated deficit of \$48.6 million and during the year ended December 31, 2024, the Company incurred a net comprehensive loss of \$5.8 million (2023: \$6.4 million) and negative cash flows from operating activities of \$3.2 million (2023: \$1.5 million). The financial statements have been prepared assuming that the Company will continue as a going concern. Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future unless management intends or has no realistic alternative other than to liquidate the entity or to stop trading for at least, but not limited to, 12 months from the reporting date. The assessment has been made of the Company's prospects, considering all available information about the future, which has been included in the financial budget, from managing working capital and among other factors such as debt repayment schedules. Consideration has been given inter alia to values of funds raised (\$1.9 million). Furthermore, the R&D expenses excluding non-cash expenses of amortization and share based compensation, decreased by 37% from \$4.1 million in 2023 to \$2.6 million in 2024

The Company depends on potential growing interest of original equipment manufacturers (OEM) to adopt the Company's offerings and solutions, as well as on the successful execution of new contracts with new and existing customers, and income from existing contracts. Furthermore, the Company anticipates advancing its ASIC business, including securing a significant NRE (Non-Recurring Engineering) payment to support the ASIC development. This is expected to generate additional interest from new potential customers and significantly enhance the Company's profile. In addition, the Company is confident that, subject to the successful execution of the ASIC contract, it will be able to secure further funding. Considering the outlined factors, including reduction in expenses, and based on experience, the directors have an expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future.

However, the success of the Company's plans as outlined above is not assured and thus a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern and fulfil its obligations and liabilities in the normal course of business in the future. The financial statements do not include any adjustments relating to recoverability and classification of the recorded asset amounts, and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The following accounting policies have been consistently applied in the preparation and presentation of these financial statements for all of the periods presented, unless otherwise stated. In 2024, no new standards that had a material effect on these financial statements become effective.

A. Basis of presentation of the financial statements and statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for financial instruments measured at fair value through profit and loss.

The Company has elected to present profit or loss items using the function of expense method. Additional information regarding the nature of the expenses is included in the notes to the financial statements.

The applicable law jurisdiction in which the Company operates is in Israel.

The financial statements for the year ended 31 December were approved and authorised for issue by the board of directors on 29 June 2025.

B. Use of significant accounting estimates, assumptions, and judgements

The preparation of financial statements in conformity with IFRS requires management to make accounting estimates and assessments that involve use of judgment and that affect the amounts of assets and liabilities presented in the financial statements, the disclosure of contingent assets and liabilities at the dates of the financial statements, the amounts of revenues and expenses during the reporting periods and the accounting policies adopted by the Company. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on prior experiences, various facts, external items and reasonable assumptions in accordance with the circumstances related to each assumption.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Regarding significant judgements and estimate uncertainties, see Note 4.

C. Functional and presentation currency

The Company prepares its financial statements on the basis of the principal currency and economic environment in which it operates (hereinafter - the "functional currency").

The Company's financial statements are presented in US dollars ("US\$") which constitutes the functional currency of the Company and the presentation currency of the Company.

D. Foreign currency transactions and balances

Specifically identifiable transactions denominated in foreign currency are recorded upon initial recognition at the exchange rates prevailing on the date of the transaction. Exchange rate differences deriving from the settlement of monetary items, at exchange rates that are different than those used in the initial recording during the period, or than those reported in previous financial statements, are recognised in the statement of comprehensive income in the year of settlement of the monetary item. Other profit or loss items are translated at average exchange rates for the relevant financial year.

Assets and liabilities denominated in or linked to foreign currency are presented on the basis of the representative rate of exchange as of the date of the statement of financial position.

Exchange rate differentials, are primarily related to cash balances and financing transactions and as such are recognised in the financial statements when incurred, as part of financing expenses or financing income, as applicable.

The exchange rates as at the 31st of December, of one unit of foreign currency to each US dollar, were:

	2024	2023
New Israeli Shekel ("NIS")	0.274	0.276
Great British Pound ("GBP")	1.254	1.274
Euro	1.041	1.106

E. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any directly attributable selling expenses.

F. Property and equipment

Property and equipment items are presented at cost, less accumulated depreciation and net of accrued impairment losses. Cost includes, in addition to the acquisition cost, all of the costs that can be directly attributed to the bringing of the item to the location and condition necessary for the item to operate in accordance with the intentions of management.

The residual value, useful life span and depreciation method of fixed asset items are tested at least at the end of the fiscal year and any changes are treated as changes in accounting estimate.

Depreciation is calculated on the straight-line method, based on the estimated useful life of the fixed asset item or of the distinguishable component, at annual depreciation rates as follows:

	%
Computers	33
Testing equipment	15-33
Furniture and equipment	6-15

Leasehold improvements

Over period
of lease

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including any extension option held by the Company and intended to be exercised) and the expected life of the improvement.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. An asset is derecognised on disposal or when no further economic benefits are expected from its use.

G. Research and development expenses

Expenditures on the research phase of projects to develop new products and processes are recognised as an expense as incurred.

Development activities involve a plan or a design for the production of new or substantially improved products and processes. Development costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet all of the following recognition requirements:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- intention to complete the intangible asset and use or sell it.
- ability to use or sell the intangible asset.
- ability to demonstrate how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include (if relevant) employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

The Company maintained the policy of recognising as an intangible asset, the costs arising from the development of its solutions, specifically the directly associated costs of its Research and Development center.

The Company periodically reviews the principles and criteria of IAS 38 as outlined above. Up to and until June 2019, the Company has determined that all the above criteria were met.

Effective as from 1 July 2019 and thereafter, the Company concluded that it would no longer continue recognising these costs as an intangible asset due to the fact that the criteria in IAS38 was not met.

Regarding impairment analysis, see Note 2L.

The amortisation of an intangible asset begins when the asset is available for use, i.e., it is in the location and condition needed for it to operate in the manner intended by management. The development asset is amortised on the straight-line method, over its estimated useful life, which is estimated to be ten years.

The useful life and the amortisation method of each of the intangible assets with finite lives are reviewed at least at each financial year end. If the expected useful life of an asset differs from the previous estimate, the amortisation period is changed accordingly. Such a change is accounted for as a change in accounting estimate in accordance with IAS 8.

H. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1. Classification and measurement of financial assets and financial liabilities

Initial recognition and measurement

The Company initially recognises trade receivables on the date that they originated. All other financial assets and financial liabilities are initially recognised on the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or a financial liability are initially measured at fair value with the addition, for a financial asset or a financial liability that are not presented at fair value through profit or loss, of transaction costs that can be directly attributed to the acquisition or the issuance of the financial asset or the financial liability. Trade receivables that do not contain a significant financing component are initially measured at the price of the related transaction.

Financial assets - subsequent classification and measurement

A financial asset is measured at amortised cost if it meets the two following cumulative conditions and is not designated for measurement at fair value through profit or loss:

- The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows; and
- The contractual terms of the financial asset create entitlement on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, financial assets that do not meet the above criteria are classified to measurement at fair value through profit or loss (FVTPL). Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

Financial assets are not reclassified in subsequent periods, unless, and only to the extent that the Company changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the reporting period following the change in the business model.

Financial assets at amortised cost

The Company has balances of trade and other receivables and deposits that are held under a business model, the objective of which is collection of the contractual cash flows.

The contractual cash flows in respect of such financial assets comprise solely payments of principal and interest that reflects consideration for the time-value of the money and the credit risk. Accordingly, such financial assets are measured at amortised cost.

In subsequent periods, these assets are measured at amortised cost, using the effective interest method and net of impairment losses. Interest income, currency exchange gains or losses and impairment are recognised in profit or loss. Any gains or losses on derecognition are also carried to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with all gains and losses and net changes in fair value recognised in the statement of comprehensive loss as financing income or cost. This category includes derivative instruments (including embedded derivatives that were separated from the host contract).

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities are classified to measurement at amortised cost or at fair value through profit or loss. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, and payables, net of directly attributable transaction costs.

Financial liabilities are measured at amortised cost

This category includes trade and other payables, loans and borrowings including bank overdrafts. These financial liabilities are measured at amortised cost in subsequent periods, using the effective interest method. Interest expenses and currency exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also carried to profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortisation is included as finance costs in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value, and any net gains and losses, including any interest expenses, are recognised in profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss, including derivative financial instruments entered into by the Company, including warrants derivative liability related to warrants with an exercise price denominated in a currency other than the Company's functional currency and also including the Company's liability to issue a variable number of shares, which include certain embedded derivatives (such as prepayment options) under a share subscription agreement or under a structured investment deed - see Note 16.

Separated embedded derivatives are classified as held for trading.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

2. Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligation of the Company expires or when it is discharged or cancelled.

3. Impairment

Financial assets

The Company creates a provision for expected credit losses in respect of Financial assets measured at amortised cost.

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit losses).

The Company measures, if relevant, the provision for expected credit losses in respect of trade receivables at an amount that is equal to the credit losses expected over the life of the instrument.

In assessing whether the credit risk of a financial asset has significantly increased since initial recognition and in assessing expected credit losses, the Company takes into consideration information that is reasonable and verifiable, relevant and attainable at no excessive cost or effort. Such information comprises quantitative and qualitative information, as well as an analysis, based on the past experience of the Company and the reported credit assessment, and contains forward-looking information.

Measurement of expected credit losses

Expected credit losses represent a probability-weighted estimate of credit losses. Credit losses are measured at the present value of the difference between the cash flows to which the Company is entitled under the contract and the cash flows that the Company expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

4. Derivative financial instruments

Derivative financial instruments are accounted for at FVTPL.

Embedded derivatives

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As described in Note 16.E., the Company has designated its liability with respect to various issuances of warrants and shares, which include several embedded derivatives, as part of the FVTPL category.

I. Share-based compensation

Share-based compensation transactions that are settled by equity instruments that were executed with employees or others who render similar services, are measured at the date of the grant, based on the fair value of the granted equity instrument. This amount is recorded as an expense in profit or loss with a corresponding credit to equity, over the period during which the entitlement to exercise or to receive the equity instruments vests.

For the purpose of estimating the fair value of the granted equity instruments, the Company takes into consideration conditions which are not vesting conditions (or vesting conditions that are performance conditions which constitute market conditions). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, an estimate is made of the number of instruments expected to vest. No expense is recognised for awards that do not ultimately vest because of service conditions and/or if non-market performance conditions have not been met. As an expense is recognised over the vesting period, when an expense has been recorded in one period and the options are cancelled in the following period, then the previously recorded expenses for options that never vested, as reversed. Grants that are contingent upon vesting conditions (including performance conditions that are not market conditions) which are not ultimately met are not recognised as an expense. A change in estimate regarding prior periods is recognised in the statement of comprehensive income over the vesting period. No expense is recognised for award that do not ultimately vest because service condition and/or non-market performance condition have not been made.

Share-based payment transactions settled by equity instruments executed with other service providers are measured at the date the services were received, based on the estimated fair value of the services or goods received, unless their value cannot be reliably estimated. In such a case, the transaction is measured by estimating the fair value of the granted equity instruments. This amount is carried as an expense or is capitalised to the cost of an asset (if relevant), based on the nature of the transaction.

J. Fair Value Measurements

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.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorised into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

- Level 1 - unadjusted quoted prices are available in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – pricing inputs are other than quoted prices in active markets that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – pricing inputs are unobservable for the non-financial asset or liability and only used when there is little, if any, market activity for the non-financial asset or liability at the measurement date. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 inputs are considered as the lowest priority within the fair value hierarchy.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in Note 27.

K. Revenue recognition

The Company generates revenues mainly from:

- Sales of solutions-based product offerings
- sales of programmable devices ("FPGA") with embedded intellectual property ("IP") developed by the Company,
- IP developed by the Company together with software application tools to assist its customers to design their own systems based on the Company IP and
- maintenance and support services provided to customers.

The Company recognises revenue when the customer obtains control over the promised goods or when the Company has delivered the products or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services provided to the customer.

Identification of the contract

The Company treats a contract with a customer only where all of the following conditions are fulfilled.

1. The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying their obligations thereunder;

2. The Company is able to identify the rights of each party in relation to the goods or services that are to be transferred;
3. The Company is able to identify the payment terms for the goods or services that are to be transferred;
4. The contract has commercial substance (i.e., the entity's risk, timing and amount of future cash flows are expected to change as result of the contract); and
5. It is probable that the consideration to which the Company is entitled to in exchange for the goods or services transferred to the customer will be collected.

Identification of performance obligations

On the contract's inception date, the Company assesses the goods or services committed to in the contract with the customer and identifies, as a performance obligation, any promise to transfer to the customer one of the following:

- Goods or services that are distinct; or
- A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Company identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Company's promise to transfer the goods or services to the customer separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, the Company examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

Contracted revenues attached to milestone performance in a contract are recognised by the Company when it has completed a milestone requirement and the Company has delivered the goods and/or services connected to such milestone.

Determination of the transaction price

The transaction price is the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Company takes into account the effects of all the following elements when determining the transaction price; variable consideration (see below), the existence of a significant financing component, non-cash consideration, and consideration payable to the customer.

Variable consideration

The transaction price includes fixed amounts and amounts that may change as a result of discounts, credits, price concessions, incentives, penalties, claims and disputes and contract modifications where the consideration in their respect has not yet been agreed to by the parties.

In accordance with the requirements in IFRS 15 on constraining estimates of variable consideration, the Company includes the amount of the variable consideration, or part of it, in the transaction price at contract inception, only when it is considered highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Company revises the amount of the variable consideration included in the transaction price.

Satisfaction of performance obligations

Revenue is recognised when the Company satisfies a performance obligation, or by transferring control over promised goods or having provided services to the customer, as applicable.

Sales of goods

Revenues from the sale of programmable devices are recognised at the point in time when control of the asset is transferred to the customer, which is generally upon delivery of the devices.

Contracts with milestone payments

Certain contracts with major customers are structured to provide the Company with payment upon the achievements of certain predefined milestones which might include, delivery of existing schematics, prototypes, software drivers or design kit, or development of new product offerings or new features of existing products such as programmable devices ("design tools").

Management has determined that the performance obligations under such arrangements which are generally based on separate milestones, are recognised at the point in time when such separate milestone is transferred to the customer, generally upon completion of the related milestone.

Amounts received (including specific up-front payments), which relate to milestones that were not yet achieved, are deferred and are presented as deferred revenues.

Multiple element transactions

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on an overall pricing objectives, taking into consideration market conditions and other factors.

Revenues are then recognised for each separate performance obligations - sales of goods or designed tools, based on the criteria described in the above paragraph.

Revenue from royalties

The Company is entitled to royalties based on sales performed by third parties of products which contain IP developed by the Company.

For arrangements that include such sales-based royalties, including milestone payments based on the level of sales, and the license of the IP developed by the Company is deemed to be the predominant item to which the royalties relate, the Company recognises revenue at the later of (i) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied), or (ii) when the related sales occur.

Accordingly, revenues from royalties that are reported by the customer are recognised based on the actual sales of products as reported to the Company.

Revenues from maintenance and support

Revenue from maintenance and support is recognised over the term of the maintenance and support period.

L. Impairment testing of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount 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).

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, being the value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable discount rate, in order to calculate the present value of those cash flows. The data used for impairment testing procedures are linked to the Company's latest approved budget, see also Note 10.

M. Leased assets

The Company considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, which conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included under non-current assets and the current portion of lease liabilities have been included in other current liabilities.

N. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

Standards and amendments that are not yet effective and have not been adopted early by the Company are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

NOTE 4 - SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

- Leases – determination of the appropriate lease period to measure lease liabilities

The Company enters into leases with third-party landlords and in order to calculate the lease liability, the Company assess if any lease option extensions will be exercised. The lease for the Company's offices was for 5 years with an option to extend it for a further 5 years. The Company initially expected this lease to be extended for an additional 5 years. At the end of 2023, the Company's assessment was that it may not exercise the additional 5-year option given the decline in rental prices within the premises market - see Note 11.

Estimation uncertainty

- Impairment of non-financial assets

In assessing impairment of non-financial assets (primarily, internally developed intangible assets), management estimates the recoverable amount of each asset or cash generating units (if relevant) based on expected future cash flows and uses an interest rate to discount them (i.e. the value in use). Estimation uncertainty and significant management judgement are involved with the assumptions about future operating results and the determination of a suitable discount rate. The company believes it is close to executing a major NRE business deal related to the ASIC opportunity which is in negotiation phase based on the Company's integrated Intellectual property portfolio. See Note 10 for assumptions used in determining the recoverable amount of intangible assets.

- Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, Management uses various valuation techniques to determine the fair value of such financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments (see Note 16).

NOTE 5 - CASH

Cash consists of the following:

	US dollars	
	31 December	
	2024	2023
In Great British Pounds	5,722	855,348
In U.S. Dollar	5,980	470,595
In New Israeli Shekel	39,011	667,865
	50,713	1,993,808

The cash does not have any restrictions as to what it may be used for.

NOTE 6 - TRADE RECEIVABLES

Trade receivables consist of the following:

	US dollars	
	31 December	
	2024	2023
Trade receivables and unbilled revenue	1,064,843	885,145
Less: provision for expected credit losses	(679,843)	(699,000)
Total receivables	385,000	186,145

All amounts are short-term. The net carrying value of these receivables is considered a reasonable approximation of fair value. All of the Company's trade and other receivables have been reviewed for the possibility of loss (an allowance for impairment losses). See also Note 27A.

NOTE 7 - INVENTORIES

	US dollars	
	31 December	
	2024	2023
Components and raw materials	218,168	331,815
Finished cards and boards	-	203,874
Total inventories	218,168	535,689

NOTE 8 - OTHER CURRENT ASSETS

Other current assets consist of the following:

	US dollars	
	31 December	
	2024	2023
Prepaid Expenses	54,085	377,419
Government institutions	78,751	50,456
Total other current assets	132,836	427,875

NOTE 9 - PROPERTY AND EQUIPMENT

Details of the Company's property and equipment are as follows:

	US dollars				
	Testing equipment	Computers	Furniture and equipment	Leasehold improve- ments	Total
Gross carrying amount					
Balance 1 January 2024	1,269,807	176,909	55,397	11,193	1,513,306
Additions	101,275	-	-	-	101,275
Disposals	-	(2,138)	-	-	(2,138)
Balance 31 December 2024	1,371,082	174,771	55,397	11,193	1,612,443
Depreciation					
Balance 1 January 2024	(499,906)	(167,454)	(22,933)	(2,703)	(692,996)
Disposals	-	1,978	-	-	1,978
Depreciation	(299,431)	(9,134)	(3,267)	(3,698)	(315,530)
Balance 31 December 2024	(799,337)	(174,610)	(26,200)	(6,401)	(1,006,548)
Carrying amount 31 December 2024	571,745	161	29,197	4,792	605,895

	US dollars				
	Testing equipment	Computers	Furniture and equipment	Leasehold improve- ments	Total
Gross carrying amount					
Balance 1 January 2023	1,122,474	176,129	55,397	11,193	1,365,193
Additions	147,333	780	-	-	148,113
Balance 31 December 2023	1,269,807	176,909	55,397	11,193	1,513,306
Depreciation					
Balance 1 January 2023	(378,576)	(155,512)	(19,473)	(1,306)	(554,867)
Depreciation	(121,330)	(11,942)	(3,460)	(1,397)	(138,129)
Balance 31 December 2023	(499,906)	(167,454)	(22,933)	(2,703)	(692,996)
Carrying amount 31 December 2023	769,901	9,455	32,464	8,490	820,310

NOTE 10 - INTANGIBLE ASSET

Details of the Company's intangible asset (R&D) is as follows:

	US dollars
	Total
Gross carrying amount	
Balance 1 January 2024	9,550,657
Additions	-
Balance 31 December 2024	9,550,657
Amortisation	
Balance 1 January 2024	5,049,237
Amortisation	961,380
Balance 31 December 2024	6,010,617
Carrying amount 31 December 2024	3,540,040

	<u>US dollars</u>
	<u>Total</u>
Gross carrying amount	
Balance 1 January 2023	9,550,657
Additions	-
Balance 31 December 2023	<u>9,550,657</u>
Amortisation	
Balance 1 January 2023	4,087,857
Amortisation	<u>961,380</u>
Balance 31 December 2023	<u>5,049,237</u>
Carrying amount 31 December 2023	<u><u>4,501,420</u></u>

The Company tested the capitalised intangible assets for impairment as of 31 December 2024. Such analysis revealed a similar calculation as that determined as at 31 December 2023 and therefore no impairment is warranted.

Having given due consideration to the following, the Company believes that no impairment is required.

- Considering the past and future expected revenues from the capitalized R&D assets;
- The anticipated outcomes of current discussions and engagements with customers;
- The customer projections and where the customer believes engagement, testing, field trials and deployment will take place;
- Signed engagements or commercial discussion phases and anticipated outturns;
- Revenues recognised and collected to date which are attributed to the intangible asset technology.
- The company believes it is close to executing a major NRE business deal related to the ASIC opportunity which is in negotiation phase based on the Company's integrated Intellectual property portfolio.

The valuation method determined, to best reflect the fair value of the intangible assets, was the Discounted Cash Flow ("DCF") to be generated from such assets between 2025 through 2033.

The primary assumptions used in determining the value-in-use of these intangible assets are as follows:

- Corporate tax rate for the Company remains at 23%.
- The pre-tax discount rate used to value future cash flows is 28.3% (post-tax 23.5%).
- Securing a major deal with a third party which is in the negotiation phase.

The possibility exists that there could be a change in these key assumptions used to calculate the value-in-use of the intangible assets, which could cause the balance recorded in these financial statements to exceed such value-in-use. As at 31 December 2024 the value-in-use of the intangible assets exceeds the amount shown in these financial statements.

NOTE 11 - LEASES

A. Details of the Company's right of use assets are as follows:

	US dollars
	Buildings
Gross carrying amount	
Balance 1 January 2024	1,834,042
Balance 31 December 2024	<u>1,834,042</u>
Accumulated depreciation	
Balance 1 January 2024	(658,092)
Depreciation expense	(334,400)
Balance 31 December 2024	<u>(992,492)</u>
Total right-of-use assets as at 31 December 2024	<u>841,550</u>

	US dollars
	Buildings
Gross carrying amount	
Balance 1 January 2023	3,158,849
Expectation change, of option to exercise the lease	(1,324,807)
Balance 31 December 2023	<u>1,834,042</u>
Accumulated depreciation	
Balance 1 January 2023	(342,208)
Depreciation expense	(315,884)

Balance 31 December 2023	(658,092)
Total right-of-use assets as at 31 December 2023	1,175,950

B. Lease liabilities are presented in the statement of financial position as follows:

	US dollars	
	31 December	
	2024	2023
Current	377,287	341,991
Non-current	382,263	764,366
	759,550	1,106,357

C. In October 2021, the Company committed to a five-year lease agreement for its primary offices in Airport City Israel. At the termination of the lease, the Company has an option to renew it for a further five years. As at 31 December 2022 such renewal option was considered as reasonably certain to be exercised according to IFRS 16. At 31 December 2023, the Company's assessment was that it may not exercise the additional 5-year option given the change in the Company's needs and the decline in rental market prices. As such the Company recalculated the lease liability using an updated discount rate. The amount of such reduction in the liability, was accordingly reduced from the right-of-use asset value.

Each lease generally imposes a restriction that, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term or for the employee who used the leased item to purchase the underlying leased asset outright at the end of the lease term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

D. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2024 were as follows:

Minimum lease payments due			
US dollars			
	2025	2026-2027	Total
Lease payments	439,225	402,623	841,848
Finance charges	(61,938)	(20,360)	(82,298)
Net present values	377,287	382,263	759,550

NOTE 12 - OTHER LONG TERM ASSETS

Other long term assets consist of:

	US dollars	
	31 December	
	2024	2023
Restricted cash	100,340	24,806
Other	10,338	10,338
Total other long term assets	110,678	35,144

NOTE 13 - SHORT- TERM BORROWINGS

Borrowings include the following financial liabilities:

	Annual % Interest rate ⁽¹⁾ 2023	US dollars	
		31 December	
		2024	2023
Bank borrowings	P+4.5%	-	96,306
Total short- term borrowings		-	96,306

⁽¹⁾ The loans bore variable interest of prime + 4.5%. The loans were fully repaid by February 2024.

NOTE 14 - OTHER CURRENT LIABILITIES

Other short-term liabilities consist of:

	US dollars	
	31 December	
	2024	2023
Salaries, wages and related costs	282,599	458,435
Provision for paid vacation due to employees	146,549	118,955
Current portion of IIA royalty liability (see Note 15)	6,027	23,000
Accrued expenses and other	373,897	127,691
Deferred revenue	39,722	250,200
Short term lease liability	377,287	341,991
Related parties *	107,093	287,625

Total other short-term liabilities	1,333,174	1,607,897
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- * Relates to compensation from prior years and the outstanding preferred loan to the Company (see Note 29.A.). These amounts do not bear interest.

NOTE 15 - OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of:

	US dollars	
	31 December	
	2024	2023
IIA royalty liability *	48,599	50,645
Lease liability	382,263	764,366
Total other long term assets	430,862	815,011

* During the years 2005 through 2012, the Company received grants from the Israel Innovation Authority ("IIA") totaling approximately \$3.1 million, to support the Company's various research and development programs. The Company is required to pay royalties to the IIA at a rate of 3.5%, of the Company's revenue attributable to the technology funded by the IIA, up to an amount equal to the grants received plus interest from the date of the grant, which after having repaid approximately \$0.58 million (2023: 0.54 million) of these grants over numerous years, as at 31 December 2024 the amount still due is approximately \$4.5 million. Such contingent obligation has no expiration date. All products, and IP sales from 2016 and later are based on newer architecture which is not funded by the IIA therefore, the IIA is not eligible for any royalty from revenue associated with product or IPs generated from deals after 2016.

NOTE 16 - EQUITY

- A. Details regarding share capital and number of shares at 31 December 2024 and at 31 December 2023 are:**

Share capital:

	US dollars	
	31 December	
	2024	2023
Ordinary shares of NIS 0.001 par value	271,255	103,417
Total share capital	271,255	103,417

Number of shares:

	31 December	
	2024	2023
Ordinary shares of NIS 0.001 par value - authorised	1,600,000,000	600,000,000
Ordinary shares of NIS 0.001 par value - issued and paid up	1,000,000,000	376,721,091

- B. Description of the rights attached to the Ordinary Shares**

All ordinary shares have equal rights including voting rights, rights to dividends and to distributions upon liquidation. They confer their holder the rights to receive notices, attend and vote at general meetings.

C. Share premium

Share premium includes proceeds received from the issuance of shares, after allocating the nominal value of the shares issued to share capital. Transaction costs associated with the issuance of shares are deducted from the share premium, net of any related income tax benefit. The costs of issuing new shares charged to share premium during the year ended 31 December 2024 was \$83,561 (2023: \$262,484).

D. Other components of equity

Other components of equity include the value of equity-settled share and option-based payments provided to employees and consultants. When employees and consultants forfeit their options, the costs related to such forfeited options are reversed out to other components of equity – see Note 17.A.

E. Shares issued during the accounting periods

During the year ended 31 December 2024 the amount of 623,278,909 (2023: 298,636,654) ordinary shares were issued, as follows:

	Note	Number of shares issued during year ended 31 December	
		2024	2023
Issuance of ordinary shares (issued together with warrants)	[1]	286,941,090	127,188,097
Shares issued pursuant to share subscription agreement	[2]	-	168,933,439
Shares issued pursuant to structured investment deed	[3]	333,750,000	-
Expenses paid for in shares	[4]	2,587,819	2,515,118
		<u>623,278,909</u>	<u>298,636,654</u>

[1] Details of the equity raises are as follows:

January 2023 equity raise

In January 2023 the Company issued 23,571,430 shares attached to a corresponding 23,571,430 warrants. Each share with its attached warrant was issued for £0.07, realising gross proceeds of \$2.02 million (£1.65 million) and net proceeds after issuance expenses of approximately \$1.89 million (£1.54 million).

Each warrant was initially exercisable at £0.15 with a life term of approximately 24 months. The warrants are not transferable, are not traded on an exchange and have an

accelerator clause, whereby these warrants may be called by the Company if the closing mid-market share price of the Company exceeded £0.20 over a 5-consecutive day period. If such 5-consecutive day period condition is met, the Company may serve notice on the warrant holders to exercise their relevant warrants within 7 calendar days, failing which, such remaining unexercised warrants shall be cancelled.

As the exercise price of the warrants is denominated in GBP and not in the Company's functional currency, it was determined that the Company's obligation under such warrants cannot be considered as an obligation to issue a fixed number of equity instruments in exchange for a fixed amount of cash. Accordingly, it was determined that such warrants represent a derivative financial liability required to be accounted for at fair value through the profit or loss category. Upon initial recognition the Company allocated the gross proceeds as follows: an amount of approximately \$133,000 was allocated as a derivative warrants liability with the remainder of the proceeds amounting to \$1.75 million (after deduction of the allocated issuance costs of \$0.14 million) being allocated to share capital and share premium. The issuance expenses were allocated in a consistent manner to the above allocation. The expenses related to the warrant component were carried to profit or loss as an immediate expense while the expenses related to the share capital component were netted against the amount carried to equity. In subsequent periods the company measures the derivative financial liability at fair value and the periodic changes in fair value are carried to profit or loss under financing costs or financing income, as applicable. The fair value of the derivative warrant liability is categorized as level 3 of the fair value hierarchy.

The fair value valuation of the warrants was based on the Black-Scholes option pricing model, calculated in two stages. Initially, the fair value of these call warrants issued to investors were calculated, assuming no restrictions applied to such call warrants. As the Company, under certain circumstances, has a right to force the investors to either exercise their warrants or have them cancelled, the second calculation calculates the value of the warrants as call warrants that were issued by the investor to the company. The net fair value results from reducing the call investor warrants fair value from the call warrants fair value, as long as the intrinsic value of the call warrants (share price at the period end less exercise price of the warrants) is not greater than such value. Should the intrinsic value of the warrants be higher than the Black-Scholes two stage method described above, then the intrinsic value of the warrants is considered to be a more accurate measure to use in determining the fair value. The following factors were used in calculating the fair value of the warrants at their issuance:

Risk free rate	4.2%
Volatility	82.3%

In May 2023, the Company changed the terms of the warrants as follows:

	Changed:	<u>From</u>	<u>To</u>
Exercise price of warrants		£ 0.15	£ 0.060
Share price at which accelerator clause may be activated		£ 0.20	£ 0.075

David Levi and Shavit Baruch hold 3,028,571 and 668,771 warrants respectively, by virtue of their participation in the January 2023 fundraise as outlined below. The terms of the

warrants David Levi and Shavit Baruch holder were varied alongside the other warrants issued as detailed above.

Of the 23,571,430 shares and 23,571,430 warrants subscribed for, the director's participation in this issuance was 3,697,342 shares and 3,697,342 warrants, on the same terms that outside investors participated as detailed below:

- David Levi subscribed for 3,028,571 placing shares for an aggregate sum of £212,000.
- Shavit Baruch subscribed for 668,771 placing shares for an aggregate sum of £46,814.

None of these warrants had been exercised by 31 December 2024 and their fair value of \$0 (2023: approximately \$3,000) is disclosed as a warrants liability in the statement of financial position.

Upon this successful equity raise being concluded, the brokers for this transaction received 573,429 two year warrants exercisable at £0.07 per warrant. The fair-value of these warrants at the time of issuance was approximately \$23,000. As at 31 December 2024, none of these warrants have been exercised.

May 2023 equity raise

In May 2023 the Company issued 26,116,667 shares at £0.03 per share, realising gross proceeds of \$0.98 million (£0.78 million) and net cash proceeds after issuance expenses of \$0.92 million (£0.74 million).

Of the 26,116,667 shares subscribed for, the director's participation in this issuance was 916,668 shares, on the same terms that outside investors participated as detailed below:

- David Levi, subscribed for 833,334 Placing Shares for an aggregate sum of £25,000.
- Yosi Albagli, subscribed for 83,334 Placing Shares for an aggregate sum of £2,500.

The gross proceeds, after deduction of the issuance costs were allocated to share capital and share premium.

Upon this successful equity raise being concluded, the brokers for this transaction received 772,500 two year warrants exercisable at £0.03 per warrant. The fair-value of these warrants at the time of issuance was approximately \$14,000. As at 31 December 2024, none of these warrants have been exercised.

December 2023 equity raise

In December 2023 the Company issued 70,000,000 shares at £0.01 per share, realising gross proceeds of \$0.88 million (£0.70 million) and net cash proceeds after issuance expenses of \$0.83 million (£0.66 million).

Concurrent with this equity raise the Company's CEO and director, David Levi, converted \$94,500 (£75,000) of loans owed to him, into 7,500,000 shares.

The gross proceeds, after deduction of the issuance costs were allocated to share capital and share premium.

No warrants were issued in this equity raise.

September 2024 equity raise

In September 2024 the Company issued 189,174,999 shares attached to a corresponding 189,174,999 warrants. Each share with its attached warrant was issued for £0.003, realising gross proceeds of \$0.76 million (£0.57 million) and net cash proceeds after issuance expenses of \$0.70 million (£0.53 million).

David Levi, a director and CEO of the Company subscribed for 9,008,333 of these shares and 9,008,333 corresponding warrants, on the same terms that outside investors participated, for an aggregate sum of £27,025.

Each warrant is exercisable at £0.0075 with a life term of 18 months. The warrants are not transferable, are not traded on an exchange and have an accelerator clause, whereby these warrants may be called by the Company if the closing mid-market share price of the Company equal or exceed £0.0150 over a 5-consecutive day period. If such 5-consecutive day period condition is met, the Company may serve notice on the warrant holders to exercise their relevant warrants within 7 calendar days, failing which, such remaining unexercised warrants shall be cancelled.

As the exercise price of the warrants is denominated in GBP and not in the Company's functional currency, it was determined that the Company's obligation under such warrants cannot be considered as an obligation to issue a fixed number of equity instruments in exchange for a fixed amount of cash. Accordingly, it was determined that such warrants represent a derivative financial liability required to be accounted for at fair value through the profit or loss category. Upon initial recognition the Company allocated the gross proceeds as follows: an amount of approximately \$30,000 was allocated as a derivative warrants liability with the remainder of the proceeds amounting to \$0.73 million (after deduction of the allocated issuance costs of approximately \$60,000) being allocated to share capital and share premium. The issuance expenses were allocated in a consistent manner to the above allocation. The expenses related to the warrant component were carried to profit or loss as an immediate expense while the expenses related to the share capital component were netted against the amount carried to equity. In subsequent periods the company measures the derivative financial liability at fair value and the periodic changes in fair value are carried to profit or loss under financing costs or financing income, as applicable. The fair value of the derivative warrant liability is categorized as level 3 of the fair value hierarchy.

The fair value valuation of the warrants was based on the Black-Scholes option pricing model, calculated in two stages. Initially, the fair value of these call warrants issued to investors were calculated, assuming no restrictions applied to such call warrants. As the Company, under certain circumstances, has a right to force the investors to either exercise their warrants or have them cancelled, the second calculation calculates the value of the warrants as call warrants that were issued by the investor to the company. The net fair value results from reducing the call investor warrants fair value from the call warrants fair value, as long as the intrinsic value of the call warrants (share price at the period end less exercise price of the warrants) is not greater than such value. Should the intrinsic value of the warrants be higher than the Black-Scholes two stage method described above, then the intrinsic value of the warrants is considered to be a more accurate measure to use in determining the fair value. The following factors were used in calculating the fair value of the warrants at their issuance:

Risk free rate	5.5%
Volatility	319.0%

As at 31 December 2024, none of these warrants have been exercised.

Upon this equity raise being concluded, the brokers for this transaction received 1,666,667 shares with a fair value of approximately \$7,000. No warrants were issued with these shares.

December 2024 equity raise

In December 2024 the Company issued 97,766,091 shares at £0.00133 per share, realising gross proceeds of \$0.17 million (£0.13 million).

David Levi subscribed for 4,887,218 of these shares issued for an aggregate sum of £6,500.

The gross proceeds, after deduction of the issuance costs were allocated to share capital and share premium.

No warrants were issued in this equity raise.

[2] Shares issued pursuant to share subscription agreement

In February 2022, an institutional investor ("Investor") who had previously subscribed for shares in the Company, signed a new \$2.0 million share subscription agreement bearing a face value of \$2,060,000.

The Investor has the right, at its sole discretion to require the Company to issue shares in relation to the subscription amount outstanding (or a part of it), under which, the number of shares to be issued for such settlement, shall be determined by dividing the face value of the subscription amount by the Settlement Price.

The Settlement Price is equal to the sum of (i) the Reference Price and (ii) the Additional Price.

The Reference Price is the average of the 3 daily volume-weighted average prices ("VWAPs") of Shares selected by the Investor during a 15 trading day period immediately prior to the date of notice of their issue, rounded down to the next one tenth of a penny. The Additional Price is equal to half of the excess of 85% of the average of the daily VWAPs of the Shares during the 3 consecutive trading days immediately prior to the date of notice of their issue over the Reference Price.

Accounting treatment

As the company's obligation under the share subscription agreement with respect for each subscription amount received by the Company, represent an obligation to be settled through the issuance of a variable number of shares and as the agreements include embedded derivatives (such as principal amounts indexed to an average price of equity instrument) the Company has designated this obligation as financial liability at fair value through profit or loss under "liability related to share subscription agreement".

Accordingly, upon initial recognition and at each reporting period the liability is measured at fair value with changes carried to profit or loss under financing costs or financing income, as applicable.

Upon settlement or a partial settlement of such liability, when the investor calls for the settlement of the aggregate subscription amount outstanding (or any part of it), for a fixed number of shares, as calculated upon such settlement notice, the fair value of the liability, related to the settled portion is carried to equity.

The fair value of the liability related to share subscription agreement is categorised as level 3 of the fair value hierarchy. See Note 27.B.

Activity for year ending 31 December 2023

All remaining outstanding subscription amounts were converted during 2023, thereby bringing the relationship to a conclusion, without any balances remaining as at 31 December 2023:

The following subscription amounts were converted during 2023:

<u>Notice date of conversion</u>	<u>Face value converted - USD</u>	<u>Shares Issued</u>
22 May 2023	230,000	6,629,236
31 July 2023	100,000	4,897,352
29 September 2023	74,000	7,406,851
(*) 10 November 2023	1,336,000	150,000,000
		<u>168,933,439</u>

(*) Per settlement deed, described below.

As mentioned above, the Investor converts subscription amounts into shares of the Company at a discounted price. Upon each conversion, the difference between the actual market value of shares issued to the Investor and the amounts converted amounted to \$22,771 in 2023, which is recorded as a reduction to finance income.

In November 2023 the Company and the Investor entered into a settlement deed, whereby the Company would issue 150,000,000 shares to the Investor (the "Settlement Shares") to terminate the Subscription Agreement and extinguish the Company's liability to the Investor. The Settlement Shares would be issued in tranches, to comply with a restriction that the Investor cannot hold an interest in more than 24.99% of the Company's issued share capital. The Settlement Shares were issued in tranches. 44.9 million shares on 10 November 2023, 43.6 million shares on 29 November 2023 and 61.5 million shares on 14 December 2023. The resulting finance charges recognized from this transaction was approximately \$1,030,000.

[3] Shares issued pursuant to structured investment deed

In May 2024 the Company entered into a structured investment deed and issued 40,000,000 shares ("Subscription Shares") and a contingent warrant in exchange for gross proceeds of £800,000 (\$1.01m). The net proceeds received after issuance expenses was \$0.94m.

The Warrant is initially exercisable at a price of 1 pence per share for a period of 44 days from the closing. The exercise price is reset on the 45th day after closing, following which it will be calculated as the average (in pounds Sterling, rounded down to three decimal places) of the lowest five, daily Volume Weighted Average Price (“VWAP”) of the Company’s share price on the stock-market, during the 20 trading days before the receipt of a warrant exercise notice by the Company, less a 15% discount, rounded down to the nearest decimal place.

The Warrant has an 8-month exercise period and can be exercised in full or in part. The amount available to be exercised under the Warrant is £800,000, less the value of the 40,000,000 Subscription Shares, calculated by reference to the relevant exercise price, such that the investor will be entitled to exercise the Warrant only for an amount exceeding the difference between the maximum amount of £800,000 (or a lower amount outstanding at the time following prior exercise of the Warrant) and the value of 40,000,000 Subscription Shares at the relevant exercise price. The exercise price of the Warrant is prefunded by way of the £800,000 gross fundraise amount and, accordingly, no additional payment will be made by the investor to the Company in connection with the exercise of the Warrant.

Accounting treatment

As the exercise price of the warrants is denominated in GBP and not in the Company's functional currency, it was determined that the Company's obligation under such warrants cannot be considered as an obligation to issue a fixed number of equity instruments in exchange for a fixed amount of cash. Accordingly, it was determined that such warrants represent a derivative financial liability required to be accounted for at fair value through the profit or loss category.

At issuance, the structured warrant is a hybrid instrument containing components which feature in regular options and other components which are different to regular options. The valuation method considered to be appropriate for such an instrument is the Naïve approach, which is calculated by multiplying:

- a. the share price of the Company at such date, by
- b. the total number of shares that the warrant holder would have been issued if the entire warrant was exercised at such issuance date, assuming that the 1 pence per share exercise price had already expired.

Upon an exercise of the structured warrant or part thereof, the fair market value of the shares issued are recorded in share capital and share premium, with the difference between that amount and the principal warrant amount exercised, being carried through to the profit or loss as finance expenses. The fair market value of the shares issued is considered as the three day average closing share price, commencing from the date of admission to the stock exchange.

The periodic change in the fair value is carried to profit or loss under financing costs or financing income, as applicable. The fair value of the derivative warrant liability is categorised as level 3 of the fair value hierarchy.

Initial warrant valuation

Upon initial recognition the Company allocated the gross investment amount of £800,000 (\$1.01 million) as follows:

- a. \$0.9 million as a derivative warrants liability.
- b. The remainder of the proceeds being \$0.1 million, to share capital and premium.

The issuance expenses of approximately \$0.07m were allocated to the equity components in the same proportion as they were initially recorded. These expenses were accounted for as follows:

- a. The expenses related to the warrant component were carried to profit or loss as an immediate expense.
- b. The expenses related to the share capital component were netted off against the amount carried to equity.

Warrant exercises

During 2024, in addition to the issuance of 40,000,000 shares as mentioned above, the following shares of the Company were issuable upon exercises of the warrant instrument:

Date of exercise in 2024	Date of Admission	Warrant exercise amount in GBP	Issue price per share in Pence	Number of shares issued
12 July	17 July 2024	395,000	0.40	98,750,000
21 October	25 October 2024	195,000	0.10	195,000,000
Total				<u>293,750,000</u>
23 December	2 January 2025	178,000	0.08	222,500,000 *
		<u>768,000</u>		<u>516,250,000</u>

* As these shares were issued in 2025, they are shown in the Statement of Changes in Equity as shares to be allotted.

As at 31 December 2024, the entire warrant instrument had been exercised and as such no balance related to this warrant is reflected in the Statement of Financial Position.

[4] Expenses paid for in shares

As part of the agreed remuneration as non-Executive Chairman for the period from 1 March 2022 to 28 February 2023, Joseph Albagli is entitled to receive shares equal to a monthly amount of £1,250. In July 2023 the Company issued 126,347 shares in lieu of the £15,000 owing to Joseph Albagli for the above-mentioned period. During March 2024 the Company issued 921,152 shares in lieu of the compensation owing to Joseph Albagli for the period from 1 March 2023 to 29 February 2024. See Note 29.C.

In January 2023, service providers to the Company agreed to receive 2,388,771 shares at the January 2023 equity raise issue price of GBP 0.07 in satisfaction of £167,214 of outstanding fees due to them. These shares were subject to a one-year lock-in period.

In September 2024, service providers to the Company agreed to receive 1,666,667 shares at the September 2024 equity raise issue price of GBP 0.003 in satisfaction of £5,000 of outstanding fees due to them.

NOTE 17 - SHARE-BASED COMPENSATION

- A.** In 2013 the Company's Board of Directors approved a share option plan for the grant of options without consideration, to employees, service providers and directors of the Company, which are exercisable into the Company's ordinary shares. The exercise price and vesting period (generally four years) for each grantee of options, is determined by the Company's Board of Directors and specified in such grantee's option agreement. In accordance with Section 102 of the Israel tax code, the Israeli resident grantee's options, are held by a trustee. The options are not cashless (they need to be paid for) and expire upon the expiration date determined by the Board of Directors (generally ten years from the date of the grant). The expiration date may be brought forward upon the termination of grantee's employment or services to the Company. Options do not vest after the termination of employment or services to the Company.

The following table summarises the salient details and values regarding the options granted (all amounts are in US Dollars unless otherwise indicated):

	Option grant dates		
	<u>29 Oct</u> <u>2024</u>	<u>20 Feb</u> <u>2024</u>	<u>22 Feb</u> <u>2023</u>
Number of options granted	63,600,000	33,200,000	590,000
Exercise price in \$	0.0032	0.0189	0.1660
Recipients of the options	Employees and sub contractors	Employees	Employees
<u>Approximate fair value at grant date (in \$):</u>			
Total benefit	96,463	298,368	31,685
Per option benefit	0.0015	0.0090	0.0537
<u>Assumptions used in computing value:</u>			
Risk-free interest rate	4.28%	4.33%	3.93%
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	70%	70%	70%
Expected term (in years)	10.0	10.0	10.0
<u>Expensed amount recorded for year ended:</u>			
31 December 2023	-	-	7,296
31 December 2024	15,953	166,752	(264)

The remaining value of these options at 31 December 2024, which have yet to be recorded as expenses, amount to \$180,938 (2023: \$45,045).

As some of these employees left the employ of the company prior to 31 December 2024, their options were cancelled.

Share based compensation was treated in these financial statements as follows:

	US dollars	
	Year ended 31 December	
	2024	2023
Total expensed amount recorded	212,680	72,287
Total	212,680	72,287

The following tables present a summary of the status of the employee option grants by the Company as of 31 December 2024 and 2023:

	Number	Weighted average exercise price (US\$)
Year ended 31 December 2024		
Balance outstanding at beginning of year	1,757,000	0.37
Granted	96,800,001	0.01
Exercised	-	-
Forfeited	(1,622,000)	0.02
Balance outstanding at end of the year	<u>96,935,001</u>	<u>0.01</u>
Balance exercisable at the end of the year	<u>9,250,915</u>	

	Number	Weighted average exercise price (US\$)
Year ended 31 December 2023		
Balance outstanding at beginning of year	3,691,920	0.31
Granted	590,000	0.17
Exercised	-	-
Forfeited	(2,524,920)	(0.26)
Balance outstanding at end of the year	<u>1,757,000</u>	<u>0.37</u>
Balance exercisable at the end of the year	<u>1,177,333</u>	

B. The option pool was increased to 50,000,000 options by a resolution passed on 14 January 2024 and was increased to 113,600,000 options by a resolution passed on 29 October 2024 and approved by the tax authorities.

C. The following table summarises information about employee options outstanding at 31 December 2024:

Exercise price	Outstanding at 31 December 2024	Weighted average remaining contractual life (years)	Weighted average exercise price (US\$)	Exercisable at 31 December 2024	Weighted average remaining contractual life (years)
\$0.20	20,000	2.2	0.20	20,000	2.2

£0.002	63,600,000	9.2	0.003	-	9.2
£0.02	31,800,001	9.2	0.02	7,949,997	9.2
£0.12	11,000	5.6	0.16	11,000	5.6
£0.14	35,000	5.3	0.17	17,500	5.3
£0.20	230,000	5.9	0.26	230,000	5.9
£0.21	20,000	5.5	0.26	20,000	5.5
£0.21	200,000	5.9	0.27	200,000	5.9
£0.29	174,000	5.9	0.39	87,000	5.9
£0.29	400,000	7.1	0.39	366,668	7.1
£0.33	30,000	5.6	0.46	22,500	5.6
£0.40	130,000	4.4	0.54	97,500	4.4
£0.45	225,000	5.6	0.60	168,750	5.6
£1.00	20,000	4.6	1.25	20,000	4.6
£1.05	40,000	2.2	1.28	40,000	2.2
	<u>96,935,001</u>			<u>9,250,915</u>	

The following table summarises information about employee options outstanding at 31 December 2023:

Exercise price	Outstanding at 31 December 2023	Weighted average remaining contractual life (years)	Weighted average exercise price (US\$)	Exercisable at 31 December 2023	Weighted average remaining contractual life (years)
\$0.20	20,000	3.2	0.20	20,000	3.2
£0.12	33,000	6.6	0.16	33,000	6.6
£0.14	130,000	6.3	0.17	50,000	6.3
£0.20	230,000	6.9	0.26	230,000	6.9
£0.21	70,000	6.5	0.26	70,000	6.5
£0.21	200,000	6.9	0.27	200,000	6.9
£0.29	164,000	8.1	0.39	41,000	8.1
£0.29	400,000	8.1	0.39	233,333	8.1
£0.33	65,000	6.6	0.46	32,500	6.6
£0.40	130,000	5.0	0.54	65,000	5.0
£0.45	225,000	6.6	0.60	112,500	6.6
£1.05	40,000	3.2	1.28	40,000	3.2
£1.00	30,000	4.5	1.32	30,000	4.5
£1.00	20,000	5.6	1.25	20,000	5.6
	<u>1,757,000</u>			<u>1,177,333</u>	

The fair value of options granted to employees was determined at the date of each grant. The fair value of the options granted are expensed in the profit and loss, except for those that were allocated to capitalised research and development costs (up to and including 30 June 2019).

D. Shares and equity instruments issued in lieu of payment for services provided

- Upon the successful equity raise concluded in January 2023, as described in Note 16.E.[1], the brokers responsible for this transaction received 573,429 two year warrants exercisable at £0.07 per warrant. The fair-value of these warrants at the time of issuance was approximately \$23,000.

- b. In January 2023, service providers to the Company agreed to receive 2,388,771 shares at the January 2023 equity raise issue price of GBP 0.07 in satisfaction of £167,214 of outstanding fees due to them. See Note 16.E.[4].
- c. Upon the successful equity raise concluded in May 2023, as described in Note 16.E.[1], the brokers responsible for this transaction received 772,500 two year warrants exercisable at £0.03 per warrant. The fair-value of these warrants at the time of issuance was approximately \$14,000.
- d. During 2024 the Company issued 921,152 (2023: 126,347) shares to the Company's non-executive chairman in lieu of \$19,000 (2022: \$19,000) owing as part of his agreed remuneration. See also Note 16.E.[4] and Note 29.C.
- e. In September 2024, service providers to the Company agreed to receive 1,666,667 shares at the September 2024 equity raise issue price of GBP 0.003 in satisfaction of £5,000 of outstanding fees due to them. See Note 16.E.[1].

NOTE 18 - REVENUE

	US dollars	
	Year ended 31 December	
	2024	2023
Sales	1,043,600	3,386,583
Royalties	210,473	231,344
Maintenance and support	129,492	159,992
Total revenue	1,383,565	3,777,919

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES

	US dollars	
	Year ended 31 December	
	2024	2023
Employee remuneration, related costs and subcontractors ^(*)	2,538,025	3,845,860
Maintenance of software and computers	52,815	151,473
Insurance and other expenses	191,275	120,719
Amortisation	961,380	961,380
Grant procurement expenses	-	81,265
Total research and development expenses	3,743,495	5,160,697
^(*) Including share based compensation.	208,631	58,755

NOTE 20 - GENERAL AND ADMINISTRATIVE EXPENSES

	US dollars	
	Year ended 31 December	
	2024	2023
Employee remuneration and related costs ^(*)	188,946	459,345
Professional fees	957,872	488,198
Rentals and maintenance	148,587	220,066

Depreciation	649,932	454,013
Impairment losses of trade receivables	140,843	220,220
Total general and administrative expenses	2,086,180	1,841,842
(*) Including share based compensation.	4,049	17,710

NOTE 21 - MARKETING EXPENSES

	US dollars	
	Year ended 31 December	
	2024	2023
Employee remuneration and related costs (*)	408,417	541,674
Marketing expenses	118,921	66,669
Travel expenses	7,558	12,709
Total marketing expenses	534,896	621,052
(*) Including share based compensation.	-	(4,178)

NOTE 22 - OTHER INCOME

This is a government grant related to an expense item and is recognised as other income.

NOTE 23 - FINANCING COSTS

	US dollars	
	Year ended 31 December	
	2024	2023
Bank fees, interest and others	13,874	82,570
Lease liability financial expenses	98,098	200,260
Revaluation of liability related to share subscription agreement and structured investment deed, measured at FVTPL	588,721	974,980
Expenses allocated to issuing warrants	69,952	10,096
Total financing costs	770,645	1,267,906

NOTE 24 - FINANCING INCOME

	US dollars	
	Year ended 31 December	
	2024	2023
Revaluation of warrant derivative liability	12,706	129,703
Interest received	1,613	226
Exchange rate differences, net	13,122	53,882
Total financing income	27,441	183,811

NOTE 25 - TAX EXPENSE

A. The Company is assessed for income tax in Israel - its country of incorporation. The Israeli corporate tax rates for the relevant years is 23%.

B. As of 31 December 2024, the Company has carry-forward losses for Israeli income tax purposes of approximately \$40 million (2023: \$35 million). These tax losses have no expiry date.

The Company is exposed to risks relating to changes in the exchange rate of the NIS and other currencies versus the U.S. dollar (which constitutes the Company's functional currency). Most of the revenues of the Company are expected to be denominated in US dollars, while the substantial majority of its expenses are in shekels (mainly payroll expenses). Therefore, a change in the exchange rates may have an impact on the results of the operations of the Company.

Currency basis of financial instruments

	US dollars				
	31 December 2024				
	NIS	GBP	Euro	US \$	Total
Assets					
Cash	39,011	5,722	-	5,980	50,713
Trade receivables	54,843	-	-	330,157	385,000
	93,854	5,722	-	336,137	435,713
Liabilities					
Trade payables	1,008,594	73,396	-	279,122	1,361,112
Warrants liability	-	15,353	-	-	15,353
IIA royalty liability	-	-	-	48,599	48,599
Non-current lease liabilities	382,263	-	-	-	382,263
	1,390,857	88,749	-	327,721	1,807,327
	(1,297,003)	(83,027)	-	8,416	(1,371,614)

	US dollars			
	31 December 2023			
	NIS	GBP	US \$	Total
Assets				
Cash	667,865	855,348	470,595	1,993,808
Trade receivables	31,145	-	155,000	186,145
	699,010	855,348	625,595	2,179,953
Liabilities				
Short term borrowings	96,306	-	-	96,306
Trade payables	899,920	22,417	314,776	1,237,113
Warrants liability	-	2,841	-	2,841
IIA royalty liability	-	-	50,645	50,645
Non-current lease liabilities	764,366	-	-	764,366
	1,760,592	25,258	365,421	2,151,271
	(1,061,582)	830,090	260,174	28,682

- Sensitivity to changes in exchange rates of the NIS and other currencies to the US dollar

A change in the exchange rate of the NIS and other currencies to the USD as of the dates of the relevant statement of financial position, at the rates set out below, which according to Management are reasonably possible, would increase (decrease) the profit and loss by the amounts set out below. The analysis below was performed under the assumption that the rest of the variables remained unchanged.

US dollars					
Sensitivity to changes in exchange rates of the non US dollar currencies to the US dollar					
	Effect on profit (loss)/equity (before tax) from the changes caused by the market factor			Effect on profit (loss)/equity (before tax) from the changes caused by the market factor	
	Book value				
	Increase at the rate of 31 December			Decrease at the rate of	
	10%	5%	2024	5%	10%
Cash	(4,473)	(2,237)	44,733	2,237	4,473
Trade receivables	(5,484)	(2,742)	54,843	2,742	5,484
Trade payables	108,199	54,100	(1,081,990)	(54,100)	(108,199)
Warrants liability	1,535	768	(15,353)	(768)	(1,535)
Non-current lease liabilities	38,226	19,113	(382,263)	(19,113)	(38,226)
Total	138,003	69,002	(1,380,030)	(69,002)	(138,003)

US dollars					
Sensitivity to changes in exchange rates of the non US dollar currencies to the US dollar					
	Effect on profit (loss)/equity (before tax) from the changes caused by the market factor			Effect on profit (loss)/equity (before tax) from the changes caused by the market factor	
	Book value				
	Increase at the rate of 31 December			Decrease at the rate of	
	10%	5%	2023	5%	10%
Cash	(152,321)	(76,161)	1,523,213	76,161	152,321
Trade receivables	(3,115)	(1,557)	31,145	1,557	3,115
Short term borrowings	9,631	4,815	(96,306)	(4,815)	(9,631)
Trade payables	92,234	46,117	(922,337)	(46,117)	(92,234)
Warrants liability	284	142	(2,841)	(142)	(284)
Non-current lease liabilities	76,437	38,218	(764,366)	(38,218)	(76,437)
Total	23,150	11,574	(231,492)	(11,574)	(23,150)

- **Credit risk**

All of the cash and cash equivalents and other short-term financial assets as of 31 December, 2024 and 2023 were deposited with one of the major banks in Israel.

Trade receivables as of 31 December 2024 and 2023 were from customers in Israel, the U.S., Europe, and Asia, which included the major customers as detailed in Note 28. The Company performs ongoing reviews of the credit worthiness of customers, the amount of credit granted to customers and the possibility of loss therefrom. The Company includes an adequate allowance for impairment losses (expected credit loss).

- **Trade receivables**

IFRS 9 provides a simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed by management on a collective basis as well as on a case by case basis. Trade receivables are written off when there is no reasonable expectation of recovery. Management have indicated a concern regarding the receivable from a few customers, for which a provision has been made. As at 31 December 2024, the provision for expected credit losses was \$679,843 (2023: \$699,000) - see Note 6 for more details.

	US dollars
Balance at 1 January 2023	579,000
Additions	150,000
Reductions	(30,000)
Balance at 31 December 2023	699,000
Additions	
Reductions	(19157)
Balance at 31 December 2024	679,843

Liquidity risk

The Company financed its activities from its operations, issuing shares and warrants, shareholders' loans and short and long-term borrowings from the bank. For further details on the Company's liquidity, refer to Note 2. All the non-current liabilities at 31 December 2024 and 2023 were lease liabilities which are serviced monthly. The short-term borrowings at 31 December 2024 and 2023 and the trade payables and other current liabilities are expected to be paid within 1 year. It is therefore not expected that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company's non-derivative financial liabilities have contractual maturities as summarized below:

	US dollars			
	31 December 2024			
	Within 6 months	6 to 12 months	1 to 3 years	More than 3 years
Trade payables	1,361,112	-	-	-
Other short-term liabilities	952,874	3,014	-	-
IIA royalty liability	2,682	2,700	15,000	47,118
Lease liabilities including future interest costs	219,613	219,613	841,849	-
Total	2,536,281	225,327	856,849	47,118

	US dollars			
	31 December 2023			
	Within 6 months	6 to 12 months	1 to 3 years	More than 3 years
Short term borrowings	96,306	-	-	-
Trade payables	123,711	1,113,402	-	-
Other short-term liabilities	1,033,123	232,783	-	-
IIA royalty liability	11,500	11,500	15,000	60,000

Lease liabilities including future interest costs	221,005	221,005	884,020	405,176
Total	1,485,645	1,578,690	899,020	465,176

B. Fair value of financial instruments

General

The financial instruments of the Company include mainly trade receivables and debit balances, credit from banking institutions and others, trade payables and credit balances, IIA liability, and balances from transactions with shareholders.

The principal methods and assumptions used in calculating the estimated fair value of the financial instruments are as follows (fair value for disclosure purposes):

Financial instruments included in current asset items

Certain instruments (cash and cash equivalents, other short-term financial assets, trade receivables and debit balances) are of a current nature and, therefore, the balances as of 31 December, 2024 and 2023, approximate their fair value.

Financial instruments included in current liability items

Certain instruments (credit from banking institutions and others, trade payables and credit balances, suppliers and service providers and balances with shareholders) - in view of the current nature of such instruments, the balances as at 31 December, 2024 and 2023 approximate their fair value. Other instruments are measured at fair value through profit or loss.

Financial instruments' fair value movements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 (based on unobservable inputs) is as follows:

	US dollars	
	Financial liabilities	
	Liability related to share subscription agreement	Warrants liability
Balance at 1 January 2023	(1,836,555)	-
Recognition in asset (liability)	-	(132,544)
Proceeds received for shares issued	1,778,468	-
Warrants exercised	58,087	129,703
Fair Value at 31 December 2023	-	(2,841)
Recognition in asset (liability)	-	(913,559)
Liability exchanged for shares issued	-	991,107
Revaluation Adjustment	-	(90,060)
Fair Value at 31 December 2024	-	(15,353)

Both the financial assets and the two types of financial liabilities are measured at fair value through profit and loss.

Measurement of fair value of financial instruments

The following valuation techniques are used for instruments categorised in Level 3:

Liability related to share subscription agreement

The fair value of the liability related to share subscription agreement is categorised as level 3 of the fair value hierarchy.

The liability is valued by adding:

- the number of shares that the Investor would receive from a unilateral exchange for his outstanding subscription amount, multiplied by the current share price of the Company, and
- the outstanding subscription amount that the Company may choose to repay in cash amount.

Pursuant to the February 2022 share subscription agreement, the investor has the right, at its sole discretion to require the Company to issue shares in relation to the subscription amount outstanding (or a part of it), under which, the number of shares to be issued for such settlement, shall be determined by dividing the face value of the subscription amount by the Settlement Price. The Settlement Price is equal to the sum of (i) the Reference Price and (ii) the Additional Price. The Reference Price is the average of the 3 daily volume-weighted average prices ("VWAPs") of Shares selected by the Investor during a 15 trading day period immediately prior to the date of notice of their issue, rounded down to the next one tenth of a penny. The Additional Price is equal to half of the excess of 85% of the average of the daily VWAPs of the Shares during the 3 consecutive trading days immediately prior to the date of notice of their issue over the Reference Price. As at 31 December 2023, this liability had been extinguished - see Note 16.E.[2].

Warrants liability

This liability is valued at the fair value of the Warrants as described in detail in Note 16.E.[1] regarding the January 2023 equity raise and the September 2024 equity raise. Should the Company's share price increase, then the warrants' fair value will increase by a lower amount, as is inherent in the Black Scholes option pricing model. In addition, as the Company has a "put" warrant which is triggered under certain circumstances when the Company's share price reaches a certain share price, the value of the Warrants will not increase indefinitely for the period that the "put" option is in place.

C. Capital management

The objectives of the Company's policy are to maintain its ability to continue operating as a going concern with a goal of providing the shareholders with a return on their investment and to maintain a beneficial equity structure with a goal of reducing the costs of capital. The Company may take different steps toward the goal of preserving or adapting its equity structure, including a return of equity to the shareholders and/or the issuance of new shares for purposes of paying debts and for purposes of continuing the research and development activity conducted by the Company. For the purpose of the Company's capital management, capital includes the issued capital, share premium and all other equity reserves attributable to the equity holders of the Company.

NOTE 28 - SEGMENT REPORTING

- A.** The Company has implemented the principles of IFRS 8 ('Operating Segments'), in respect of reporting segmented activities. In terms of IFRS 8, the management has determined that the Company has a single area of business, being the development and delivery of high-end network processing technology.

The Company's revenues from customers are divided into the following geographical areas:

	US dollars	
	Year ended 31 December	
	2024	2023
Asia	-	154,700
Europe	-	12,390
Israel	244,073	758,445
United States	1,139,492	2,852,384
	<u>1,383,565</u>	<u>3,777,919</u>

	%	
	Year ended 31 December	
	2024	2023
Asia	-	4.1%
Europe	-	0.3%
Israel	17.6%	20.1%
United States	82.4%	75.5%
	<u>100.0%</u>	<u>100.0%</u>

Revenue from customers in the Company's domicile, Israel, as well as its major market, the United States and Asia, have been identified on the basis of the customer's geographical locations.

The Company's revenues from major customers as a percentage of total revenue was:

	%	
	Year ended 31 December	
	2024	2023
Customer A	56%	54%
Customer B	20%	19%
Customer C	15%	15%
Customer D	7%	5%
Customer E	2%	3%
	<u>100%</u>	<u>96%</u>

- B.** All of the Company's non-current assets are located in the Company's country of domicile.

A. Founders

In April 2017, the employment agreement of the two founders of the Company, Mr. David Levi and Mr. Shavit Baruch, was amended, in terms of which each of them, in addition to their salary, is entitled to a performance bonus of 5% of the Company's annual profit before tax. For each year, the bonus shall be capped at \$250,000 each. Such bonus is dependent on their continual employment by the Company.

Shavit Baruch had an amount due to him for compensation originating in prior years. As at 31 December 2024, the Company owed him in this regard a balance of \$107,093 (2023: \$106,683) – see Note 14.

In October 2023, David Levi, a co-founder of the Company provided a non-interest bearing loan to the Company of 1,000,000 NIS (approx. £200,000 or \$250,000), This loan was approved by the court and, entitles David Levi to be repaid as a priority creditor in any event, by the end of the Temporary Suspension of Proceedings (“TSP”) process.

In December 2023, David Levi subscribed for 7,500,000 shares at the same price as outside investors paid in the Company's equity raise of £700,000 (\$880,000). David Levi settled the purchase price for these shares in exchange for the satisfaction of 347,350 NIS (£75,000 or \$94,500) of his non-interest bearing priority loan.

The 652,650 NIS remaining amount of the non-interest bearing loan was repaid to David Levi on 6 February 2024.

On 26 September 2024, David Levi subscribed for 9,008,333 new ordinary shares in the Company (the "Subscription Shares") at a price of 0.3p per share. David Levi was also granted one warrant for every Subscription Share subscribed for, exercisable at a price of 0.75p per share. The warrants are exercisable for a period of 18 months.

On 4 December 2024, David Levi subscribed for 4,887,218 new ordinary shares of the Company at a price of 0.133p per share.

B. Chief Financial Officer

Mark Reichenberg stepped down from the board on 31 July 2023, when his tenure as CFO terminated and the 209,000 ESOP options he held were cancelled.

From August 2023, Ayala Deutsch took over the CFO duties and was formally appointed as permanent CFO in February 2024, when she was also appointed to the board of directors. Ayala Deutsch stepped down from her position as CFO and board member on 9 October 2024.

Tomer Assis was appointed as CFO on 9 October 2024 and received 1,500,000 ESOP options with a fair value of \$2,275, vesting quarterly over a 3 year period.

C. Remuneration of key management personnel including directors for the year ended 31 December 2024

<u>Name</u>	<u>Position</u>	<u>US dollars</u>	
		<u>Salary and benefits</u>	<u>Share based</u>

			Pension benefits	compe- nsation	Total
David Levi	Chief Executive Officer	226,817	39,447	75,158	341,422
Shavit Baruch	VP R&D	212,628	42,882	31,026	286,536
Tomer Asiss ⁽⁴⁾	Chief Financial Officer	34,825	-	412	35,237
Ayala Deutsch ⁽³⁾	Chief Financial Officer	93,421	22,378	(1,304)	114,495
Joseph Albagli ⁽¹⁾	Non Executive Chairman	27,990	-	3,360	31,350
Richard Bennett	Non Executive Director	23,449	-	-	23,449
Julie Kunstler ⁽²⁾	Non Executive Director	8,115	-	-	8,115
Aviva Banczewski ⁽²⁾	Non Executive Director	7,964	-	-	7,964
		635,209	104,707	108,652	848,568

⁽¹⁾ As part of the agreed compensation, monthly shares equal to the value of £1,250 are accrued. In March 2024 - 921,152 shares accrued have been allotted. The accrued shares as of March 2025, amounting to 6,936,578 shares will be allotted during 2025.

⁽²⁾ Appointed 16 April 2024.

⁽³⁾ Ceased to act as CFO and director on 9 October 2024.

⁽⁴⁾ Appointed as CFO on 9 October 2024.

Remuneration of key management personnel including directors for the year ended 31 December 2023

Name	Position	Salary and benefits	US dollars		Total
			Pension benefits	Share based compe- nsation	
David Levi	Chief Executive Officer	222,157	38,543	17,177	277,877
Mark Reichenberg ⁽²⁾	Chief Financial Officer	100,146	16,262	-	116,408
Shavit Baruch	VP R&D	208,022	41,886	17,177	267,085
Chen Saft-Feiglin ⁽³⁾	Non Executive Director	17,959	-	-	17,959
Zohar Yinon ⁽³⁾	Non Executive Director	16,712	-	-	16,712
Joseph Albagli ⁽¹⁾	Non Executive Chairman	31,493	-	18,655	50,148
Richard Bennett	Non Executive Director	24,864	-	-	24,864
		621,353	96,691	53,009	771,053

⁽¹⁾ As part of the agreed compensation, monthly shares equal to the value of £1,250 are accrued. In July 2023 - 126,347 shares accrued have been allotted. The remaining accrued shares as of year-end were allotted in March 2024, amounting to 921,152 shares.

⁽²⁾ Terminated employment and ended directorship on 31 July 2023.

⁽³⁾ Ceased to act as directors on 14 November 2023.

D. Directors' equity interests in the Company as at 31 December 2024

Name	Shares	Options and warrants		
	Direct holdings	Unexercised vested options	Unvested options	Total options and warrants
David Levi	41,704,616	12,053,493	30,391,372	42,444,865

Shavit Baruch	5,760,438	1,242,145	9,767,263	11,009,408
Joseph Albagli	1,177,939	123,666	2,625,789	2,749,455
	<u>48,642,993</u>	<u>13,419,304</u>	<u>42,784,424</u>	<u>56,203,728</u>

As set out further in Note 16, some of the above directors have participated in certain of the placings during the year ended 31 December 2024.

Directors' equity interests in the Company as at 31 December 2023

Name	Shares	Options and warrants			Total options and warrants
	Direct holdings	Unexercised vested options	Unvested options	Unexercised 6p warrants	
David Levi	20,949,065	177,379	83,331	3,028,571	3,289,281
Shavit Baruch	5,760,438	177,379	83,331	668,771	929,481
Joseph Albagli	256,787	-	-	-	-
	<u>26,966,290</u>	<u>354,758</u>	<u>166,662</u>	<u>3,697,342</u>	<u>4,218,762</u>

As set out further in Note 16, the above directors have participated in certain of the placings and the variation of the warrant instruments during the year ended 31 December 2023.

NOTE 30 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease Liabilities	Short Term Borrowings	Warrants liability	Total
1 January 2024	1,106,357	96,306	2,841	1,205,504
Cashflow				
- Repayments	(335,373)	(136,807)	-	(472,180)
- Proceeds	-	41,055	913,559	954,614
Non-cash movement				
- Liability exchanged for shares issued	-	-	(991,107)	(991,107)
- Revaluation Adjustment	-	-	90,060	90,060
- Exchange rate differences	(11,434)	(554)	-	(11,988)
31 December 2024 (*)	<u>759,550</u>	<u>-</u>	<u>15,353</u>	<u>774,903</u>

(*) Including current maturities of \$377,287.

	Lease Liabilities	Short Term Borrowings	Warrants liability	Total
1 January 2023	2,712,938	428,935	-	3,141,873
Cashflow				
- Repayments	(197,772)	(1,543,210)	-	(1,740,982)
- Proceeds	-	1,239,657	132,544	1,372,201
Non-cash movement				
- Terminations	(1,324,807)	-	-	(1,324,807)
- Revaluation Adjustment	-	-	(129,703)	(129,703)

- Exchange rate differences	(84,002)	(29,076)	-	(113,078)
31 December 2023 (*)	1,106,357	96,306	2,841	1,205,504

(*) Including current maturities of \$341,991.

For financial liabilities to be settled through issuance of ordinary shares see notes 16.E and 27B.

NOTE 31 - SUBSEQUENT EVENTS

1. In January 2025, the Company came to an agreement with a supplier, that the NIS 2.75 million (approximately \$0.76 million) owed, would convert into a loan payable over 22 months. The first 3 payments payable would each be NIS 0.36 million (approximately \$0.1 million), with the balance of the amounts spread out until the last payment in November 2026. Once all the payments have been completed, a total amount of NIS 3.06 million (approximately \$0.84 million) would have been paid.
2. In February 2025 the Company extended the 24 month expiry date of 19,874,088 warrants issued in conjunction with the January 2023 share issuance, by a further 24 months to 8 February 2027. See Note 16.E.[1]. The 3,028,571 and 668,771 warrants held by the directors David Levi and Shavit Baruch respectively were not extended and expired on 8 February 2025.
3. In March 2025, the Company raised further equity capital of £88,750 before expenses, by issuing 177,500,000 shares at 0.05 pence per share.
4. In April 2025, at an Extraordinary General Meeting, the Company's authorized share capital was increased to 6,400,000 NIS.
5. In May 2025, the Company raised further equity capital of £800,000 before expenses, by issuing 3,636,363,633 shares and 3,636,363,633 associated warrants (together, a "unit"), at 0.022 pence per unit. The warrants may be exercised within 12 months from 7 May 2025 at a price per share of 0.022 pence. These warrants have an identical accelerator clause as those warrants issued in the January 2023 equity raise, excepting for the accelerator price which is set at 0.045 pence per share - see Note 16.E.[1]. The directors David Levi and Yosi Albagli also subscribed for some of these shares and associated warrants. A further 163,409,086 warrants with the same terms as the warrants issued in this equity raise, were issued as payment of fees to the brokers who arranged this equity raise.
6. As of the date of issuance of these financial statements, the amount due to Shavit Baruch for compensation originating in prior years is \$46,000. See Notes: 14 and 29.A

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