



# ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2023

# CONTENTS

---

## STRATEGIC REPORT

Highlights	3
Chairman's Statement	4
Business Model	6
Strategy	7
Chief Executive Officer's Review	8
Our Core Divisions	10
Stakeholder Engagement	13
Chief Financial Officer's Review	15
Key Performance Indicators	18
Sustainability Review	19
TCFD Report	21
Risk Management	27

## CORPORATE GOVERNANCE

Directors' Biographies	30
Corporate Governance Report	34
Audit Committee Report	41
Directors' Remuneration Report	44
Directors' Report	60

## FINANCIAL STATEMENTS

Independent Auditor's Report	63
Consolidated Financial Statements	67
Notes to the Consolidated Financial Statements	72
Other Alternative Measures	111
Company Information	112

# Highlights

REVENUE

**\$122.8m +6%**  
(2022: \$116.1m)

ADJ. EBITDA\*

**\$9.3m +12%**  
(2022: \$8.3m)

Strong balance sheet with **\$40.8m** in cash and short-term investments

OUTSTANDING PERFORMANCE IN CYBER  
DIVISION - **\$32.4m** ORDERS RECEIVED

NEW PRODUCTS INTRODUCED TO  
DRIVE GROWTH IN DIAGNOSTICS  
AND NETWORKING

In-depth process undertaken to assess the Group's business, strategy and markets – resulting in **renewed strategic vision** launched mid-year

COMMENCED IMPLEMENTATION OF NEW STRATEGY,  
WITH **SOLID PROGRESS** MADE IN H2 2023

## BATM'S CORE DIVISIONS

### NETWORKING

High-performance  
connectivity & virtualisation  
solutions for next-generation  
networks

⇒ Page 11

### CYBER

Advanced solutions for  
network encryption

⇒ Page 10

### DIAGNOSTICS

IVD reagents and instruments,  
focusing on infectious disease

⇒ Page 12

\* Adjusted to exclude share-based (non-cash) payments and the amortisation of intangible assets

# Chairman's Statement

---

**Dr. Gideon Chitayat**  
Chairman



I am pleased to report a year of growth in our revenues and adjusted EBITDA, which was achieved against a challenging macroeconomic backdrop. Our Cyber business performed particularly well, winning orders totalling over \$32m, while our Diagnostics and Networking businesses introduced innovative new products that are receiving great interest and which we expect to contribute to growth in the current year.

Alongside this operational progress, we successfully navigated some fundamental changes to our business. From 1 January 2023, Dr. Zvi Marom, who founded the company and had been the CEO for over 30 years, assumed the role of Non-executive Director and Moti Nagar became CEO. On behalf of everyone at BATM, I would, once again, like to thank Zvi, who remains a highly valued member of our Board, for his tireless commitment and contribution to the development and success of BATM.

I am delighted that Zvi's successor as CEO is Moti, who had been our CFO since 1 January 2015 and having joined BATM in June 2014 as VP Finance. Our Board was further strengthened with the appointment during the year of Ran Noy as CFO and an Executive Director, who has already made an excellent contribution building on his experience with other international, public companies, and we look forward to this continuing.

Following Moti becoming our CEO, we embarked on an extensive strategic review, facilitated by a global consulting firm. The process involved consultation with all of our managers across the Group and included assessing how resources can be best allocated to create value and where value should be realised from what we have already. As a result of this, and as discussed further in this Strategic Report, we have adopted a new strategy

that is far more focused and is designed to enable us to maximise the strengths across our business through greater collaboration. We presented this new strategy to our investors in June, where it was well received. Since then, we have commenced implementing changes to align ourselves, operationally and culturally, with our renewed strategic vision as well as exploring potential transactions that would add capabilities to our core activities.

Our focus is on the substantial global markets of networking, cyber and diagnostics. In networking, we intend to grow our customer base for our innovative carrier ethernet solutions and establish a leadership position for Edgility in the fast-growing edge computing market. There is a significant untapped growth opportunity for our cyber business to expand into the commercial markets as well as to further government customers. In diagnostics, not only are we looking to grow our existing businesses through greater collaboration and continued innovation, but we are also pursuing a transformational prospect with the revolutionary molecular diagnostics platform being developed by our ADOR Diagnostics associate company.

We know all of this will take time, investment and the commitment of our teams, but we believe that we have the right strategy to enable us to capitalise on the substantial opportunities in these core markets.

As I noted last year, we began a process in 2022 to gain a greater understanding of our environmental impact and to systematically assess the risks and opportunities that are presented to our business by climate change. In 2023, we took a step forward by putting in place new frameworks and procedures to support us in addressing these matters. We have also significantly enhanced the measurement and reporting of our carbon emissions. While it is still relatively early days, I am proud of the

progress that we have made to date, which is detailed in the TCFD Report on pages 21-26.

To conclude, on behalf of the Board, I would like to thank our employees across the Group for their hard work and commitment during a time that has not been without its challenges. Your efforts are appreciated and we hope that you are as excited as we are about our future. I would like to thank our shareholders for their continued support of BATM. With our new strategy in place, we are confident in the prospects of the business and our ability to deliver the substantial value that exists within our company.

# Business Model

Our business model leverages our strengths and our values to execute on our strategic priorities to achieve our vision and generate value for our stakeholders



<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• <b>Transforming IP</b> into cutting-edge market-ready products</li> <li>• Operating in <b>large, growing</b> markets</li> <li>• <b>International footprint</b> from extensive global partnerships and relationships</li> <li>• <b>Extensive networking experience</b> from 30+ years of providing high-quality solutions</li> <li>• <b>Strategic encryption provider</b> for large government customers</li> <li>• <b>Access to European diagnostics market</b> with manufacturing capacity, licences and reputation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strong balance sheet</b> to support strategic execution</li> </ul> <p><b>Strategic Priorities</b></p> <ul style="list-style-type: none"> <li>• Accelerating growth</li> <li>• Strengthening execution</li> <li>• Maximising resource allocation</li> </ul> <p>⇒ Page 7</p> <p><b>Culture</b></p> <p>Our vision is to be leaders in high-technology innovations that make a significant difference to the human experience and build on our values:</p> <ul style="list-style-type: none"> <li>• <b>Innovation</b> - We're all about coming up with new ideas and turning them into real</li> </ul>	<p>tech solutions that are market disrupters. We've got a talented team that knows how to make big things happen.</p> <ul style="list-style-type: none"> <li>• <b>Reliability</b> - Our customers trust us to deliver mission-critical products. Our products are built for reliability and performance, in challenging conditions and at scale.</li> <li>• <b>Responsibility</b> - Our corporate responsibility extends through our focus business areas, to the way we interact with all our stakeholders and our impact on the environment and our communities.</li> <li>• <b>Collaboration and</b></li> </ul>	<p><b>teamwork</b> - By bringing together diverse perspectives and expertise, we create an environment that encourages creativity, innovation and shared success.</p> <p><b>Stakeholders</b></p> <p>We aim to create value for our stakeholders by:</p> <ul style="list-style-type: none"> <li>• Growing total shareholder returns</li> <li>• Exceeding our customers' expectations</li> <li>• Motivating our people</li> <li>• Making a positive contribution to our communities</li> </ul> <p>⇒ Page 13</p>
<p><b>Divisions</b></p> <p>Read about our core divisions.</p> <p>⇒ Page 10</p>	<p><b>Principal Risks and Uncertainties</b></p> <p>Read about our principal risks and uncertainties.</p> <p>⇒ Page 28</p>		

# Strategy

In 2023, an in-depth process was conducted to establish a new strategic vision for BATM:

**As a global enterprise, BATM will maximise its top assets while providing high-quality solutions in growing markets with innovative technology, unique know-how and focused businesses**

STRATEGIC PRIORITIES	FY 2023 IMPLEMENTATION PROGRESS	
<b>Maximising resource allocation</b>	<ul style="list-style-type: none"> <li>- Prioritising investment to maximise top assets</li> <li>- Leveraging synergies and strengths across the Group</li> </ul>	<ul style="list-style-type: none"> <li>- New strategy established focusing on core areas of Networking, Cyber and Diagnostics</li> <li>- Commenced restructuring of secondary businesses to prepare for divestment</li> <li>- Commenced exploring potential divestment opportunities</li> <li>- Commenced process to create synergies through utilisation of manufacturing capacity and capabilities in secondary businesses by core divisions</li> </ul>
<b>Strengthening execution</b>	<ul style="list-style-type: none"> <li>- Building the infrastructure to deliver sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>- Commenced reorganisation of core divisions</li> <li>- Commenced building corporate management team to establish an enterprise structure</li> <li>- Allocated resources to establish a global sales team</li> <li>- Commenced introducing processes to foster collaboration across the business</li> </ul>
<b>Accelerating growth</b>	<ul style="list-style-type: none"> <li>- Utilising our IP to target opportunities in large, growing markets</li> <li>- Sustaining product development and commercialisation</li> <li>- Supplementing organic growth with M&amp;A</li> </ul> <p><i>Alongside <b>maximising resource allocation</b> and <b>strengthening execution</b></i></p>	<ul style="list-style-type: none"> <li>- Allocated resources to enhance sales &amp; marketing</li> <li>- Appointed investment banks in Israel and the US to explore M&amp;A opportunities in core activities</li> <li>- Introduced two new advanced molecular diagnostics products</li> <li>- Progressed development of:               <ul style="list-style-type: none"> <li>- cyber solutions to enable entry into new markets</li> <li>- networking product portfolio to launch new products that support additional use cases</li> </ul> </li> </ul>

# Chief Executive Officer's Review

---

**Moti Nagar**  
Chief Executive Officer



I am proud of what we achieved in 2023. Against a challenging macroeconomic backdrop, we delivered growth in sales and adjusted EBITDA – including an outstanding performance in our Cyber business. We launched several innovative new products in Diagnostics and Networking that have been well-received, whilst progressing development of potentially game-changing solutions.

## Strategy Development

Significantly, we undertook an in-depth strategic review during the year, supported by a leading global consulting firm, that resulted in the establishment of a new strategy, which we began to implement in the second half of the year. Our new strategy is focused on accelerating our activities that build on our established areas of core expertise and which are in scalable and growing markets. This involves enhancing how we operate as a business, prioritising resource allocation and potential M&A activity. As we have outlined in our 'Strategy' section on page 7, we have already taken important steps forward in this process and I am excited about the progress we will make in 2024.

The performance of each of our divisions was as follows:

## Networking Division

We were delighted to receive two five-year orders for our Edgility edge computing platform from NGA 911 LLC, which provides emergency connectivity services in North America and is using Edgility to deliver the call-handling system for 911 Emergency Services and the 988 National Suicide Prevention & Mental Health Crisis Lifeline in the US. This is the first time Edgility is being used for a government application and to support critical public infrastructure. We expect to receive further orders from NGA for their network in additional US States and the Asia-Pacific region. Edgility also continued to undergo evaluation and successful proof-of-concepts with leading network operators, multi-service providers, partners and systems integrators worldwide.

The rollout of Edgility with CEMEX, S.A.B. (NYSE: CX) progressed well during the year, and is on track to complete in the current year. CEMEX, which is a global construction materials company, has already deployed more than 1,000 end points across sites in Europe and Central and South America. The rollout also continued with CityFibre, the UK's largest independent carrier-neutral Full Fibre platform.

We continued to generate revenue through our partnerships with Advantech and Lanner Electronics, who provide Edgility pre-installed on their universal edge network appliances, and we established a further route-to-market via a new collaboration with Innovetechs, which specialises in delivering digital transformation projects for EMEA service providers.

Towards the end of the year, we launched a new release of Edgility that represents a significant upgrade. It includes augmented high-availability, a more intuitive user interface, integrated network functions, strengthened security, enhanced operational efficiency and it now supports Kubernetes. We also introduced several Edgility connected edge as a service packages, including a full managed service package, to provide customers with the flexibility to choose the relevant network appliances and mode of operation.

Turning to our carrier ethernet business, we continued to evolve our product portfolio, with a particular focus on developing an upgraded, cost effective 10GE demarcation device, which was launched towards the end of the year. We are conducting a number of proof-of-concepts, which we expect to translate into orders. We are also developing new products, for launch in 2024, that will expand our portfolio to support additional use cases.

## Cyber Division

Our Cyber division performed exceptionally well in 2023. We secured new orders totalling \$32.4m from our long-standing defence department customer. This included receiving a \$26m order at the beginning of the year for our



latest high-performance encryption platform, which is to be delivered over a maximum of five years. We expect to receive further orders in the current year.

We also continued to progress our development programme, which includes integration of our platforms with quantum key distribution and post-quantum encryption algorithms to address cyber risk in the quantum computing era. It also includes a new encryption offering that will allow us to expand to new markets, such as other government agency customers and the commercial markets.

### Diagnosics Division

A key development with our Diagnostics division was its reorganisation to bring together our activities involving our proprietary products with the distribution of third-party diagnostic products, in line with our new strategy. Through closer collaboration, we will be able to leverage the strengths across the two areas of activity, such as being able to apply for a larger number of tenders and offer a comprehensive solution combining proprietary and third-party products.

Looking at our operations, we continued to progress development and engineering work on new reagents, kits and instruments. In particular, towards the end of the year, we launched MDXlab, which is a new molecular diagnostics instrument based on the real-time PCR method. Most of today's laboratories will either have two instruments to undertake the different steps within the PCR process or they will have a large integrated instrument, which is not suitable for small- to medium-sized laboratories or point-of-care. MDXlab is designed to overcome these limitations by offering an integrated, compact, cost-effective solution. We are receiving strong interest in this new instrument, and have already commenced generating revenue.

Towards the end of the year, we introduced the EXTRAlab NGS Prep, which we plan to commercially launch in the current year. This new molecular diagnostics instrument expands the capabilities of our existing EXTRAlab with regards to next-generation sequencing ("NGS") library preparation. NGS is an advanced technology used for DNA and RNA sequencing and variant/mutation detection, which is used for personalised precision medicine, that is capable of sequencing a vast number of genes in a short period of time. Library preparation, which is the first phase of the NGS process, is often a manual procedure. Our instrument automates this process, with the EXTRAlab NGS Prep also being able to make relevant self-adjustments.

We strengthened our distribution operations by identifying new suppliers and deepening our relationship with our existing partners with a view to gaining exclusive contracts and advantageous commercial terms. We also conducted a direct sales & marketing campaign to clients that had been

awarded government funding that we expect will translate to applicable tenders for us in 2024, and which we are confident of winning.

Our ADOR Diagnostics ("ADOR") associate company that is developing the disruptive NATlab molecular biology platform made strong progress during the year in finalising the development of a new advanced biological process and upgraded cartridge and instrument designs, and achieved a key milestone with the commencement of pre-clinical trials of the NATlab at a hospital. This has generated valuable insights, which we are now using to enhance the biological process and improve the NATlab product. In addition, ADOR secured an investment of \$7.5m (to be paid on the completion of milestones), of which BATM is contributing \$3.5m. Following the investment, our shareholding in ADOR will increase to 43.6%.

### Secondary Activities

Revenue generated by our secondary businesses grew year-on-year, which reflects increased sales related to the distribution of pharmaceutical products and test administration.

### Outlook

We entered 2024 with positive momentum in our core activities, a new focused strategy designed to deliver sustainable, long-term growth and a strong balance sheet.

Having begun to implement the new strategy in the second half of 2023, we intend to ramp up the process in the current year. We plan to focus our resources on our core activities, including building a strong global sales team. In addition, while there is no guarantee any transaction will occur, we intend to explore M&A opportunities to support our core activities or divestment of secondary businesses. Accordingly, we intend to invest to establish a solid infrastructure that will provide the foundations for sustainable growth.

With regards to the core activities specifically, we have a significant backlog in the Cyber division to be delivered in the current year and beyond. We are also focused on the development of our new encryption product that will enable the Cyber division to penetrate new markets. We are receiving strong interest in our new diagnostic instruments, MDXlab and EXTRAlab NGS Prep, which we expect to make a material contribution to growth in the Diagnostic division alongside a sustained increase in sales of distributed diagnostic products. In the Networking division, we expect growth to be driven by the actions that we are taking to enhance the sales function and other operational infrastructure.

As a result, we remain confident in our prospects and look forward to reporting on our progress.

# Our Core Divisions

Our three core divisions of Networking, Cyber and Diagnostics operate from four countries and serve hundreds of customers across the globe, providing high-quality, innovative solutions to address real-world acute needs.

## Cyber Division

**16%**  
of core business revenue

**\$10.3m**  
FY 2023 Revenue

**c. 20**  
employees

**\$2.4m**  
FY 2023 Adj. EBITDA

The Cyber division provides integrated hardware and software solutions for network encryption. It is a strategic provider to large government agency clients, primarily involving the security of mission critical infrastructure.

## Competitive strengths

- Strong brand reputation: strategic encryption provider for large government clients
- Multi-layer platform security: hardware, operating system and virtual application spaces
- Highly secure against supply chain attacks
- Combined security and computing appliance – offering highest computing power available on the market
- Allows encryption algorithm customisation by customers
- Quantum Security ready

## Growth drivers

- Increasing attacks targeting supply chain – unable to trust third-party hardware
- Quantum computing era requires new quantum safe encryption algorithms combined with highly powerful computing power
- Increasing state level cyber attacks

## Products

- cGate – a combined network encryption and security platform:
  - A multi-purpose high-speed computing platform designed for governments, defence and mission-critical networks
- cHSM – a hardware security module that provides extra security for sensitive data and applications by safeguarding and managing secrets, such as digital keys

## Networking Division

**31%**  
of core business revenue

**\$19.8m**  
FY 2023 Revenue

**c. 50**  
employees

**\$1.7m**  
FY 2023 Adj. EBITDA

The Networking division provides high-performance connectivity solutions for the network edge, including the innovative Edgility open edge software platform and a broad portfolio of carrier grade switching and routing hardware and software products (carrier ethernet). Our customers for Edgility are telecoms operators, managed service providers and large enterprises and for carrier ethernet it is primarily tier 2 or 3 service providers, located globally.

### Competitive strengths

- Edgility:
  - Open architecture: hardware and software agnostic and open source
  - Most scalable edge computing platform on the market
  - Supports both virtual network functions and containers on the same edge device
  - Enables the running of AI-based business applications and network functions within the same workload, effectively connecting the edge to a cloud or data centre
  - Offered in a SaaS model and managed services model
  - Provides edge virtualisation together with full connectivity solution
- Carrier ethernet:
  - Best of suite approach
  - Common operating and management systems across suite
  - Licence embedded (MPLS)
  - Excellent cost:feature ratio

### Growth drivers

- Drivers of edge computing:
  - Artificial intelligence use cases at the edge
  - Data privacy and security concerns
  - Internet of Things
  - Lower processing costs
  - Demands for increased sustainability
  - 5G – an enabling technology
- Drivers for carrier ethernet growth:
  - Ever-increasing bandwidth demands
  - Growth of IP-based next-generation networks
  - Higher-speed ethernet standards
  - Rise in edge computing deployments
  - Expansion of 5G networks
  - Increased adoption of CE for mobile backhaul

### Products

- Edgility is open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network
- Carrier ethernet comprises a broad portfolio of carrier grade demarcation and aggregation products for switching and routing applications
  - Device throughput ranging from 1GE to 100GE
  - Embedded software for controlling and managing the infrastructure and devices

## Diagnostics Division

**53%**  
of core business revenue

**\$33.3m**  
FY 2023 Revenue

**c. 160**  
employees

**\$3.0m**  
FY 2023 Adj. EBITDA

The Diagnostics division is mainly engaged in the sale and distribution of in vitro diagnostics (IVD) reagents and instruments, including the development and production of proprietary products. Our proprietary product development is focused on molecular diagnostics by test type and infectious disease by application area. Our customers for our proprietary solutions are primarily medium-sized laboratories, hospitals and blood banks, predominantly in Europe, but also Latin America, Africa and Asia. We also distribute third-party products to customers such as public and private medical laboratories, hospitals, pharmaceutical companies.

In addition, our ADOR Diagnostics associate company is focused on the development of a novel molecular diagnostics solution, using syndromic multiplexing, for infectious disease.

### Competitive strengths

- Pioneer in fully automated instruments
- Vast 'know-how' from extensive experience
- Development of both reagents and instruments
- Proprietary solutions specifically designed for small- to mid-size establishments
- Established distribution networks with strong partnerships and highly respected brand in local markets
- Differentiated, patent-protected technology being developed in ADOR

### Growth drivers

- COVID-19 pandemic increased IVD awareness and accelerated adoption of diagnostic technologies
- Ageing population
- Increasing incidence of chronic diseases
- Shift to outpatient care
- Technological advances creating opportunities for innovative products

### Products

- Current proprietary portfolio of 13 instruments and over 250 reagents
  - Molecular diagnostics, clinical chemistry and immunoassay (ELISA) technologies
  - Infectious disease, diabetes, autoimmune disease and other applications
- Substantial third-party product portfolio, including diagnostics equipment, reagents and laboratory consumables
- ADOR is developing NATlab: a cost effective point-of-care, rapid sample-to-answer solution providing syndromic multiplex diagnosis

# Stakeholder Engagement

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

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

## Customers

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

### How we engage

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

### 2023 HIGHLIGHTS

- Over 360 new customers won
- More than 45 customer training programmes conducted, with participation of over 800 individuals
- Customer satisfaction surveys

## Financial Investors

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

### How we engage

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

### 2023 HIGHLIGHTS

- Approximately 27 shareholder meetings or scheduled calls
- Hosted a capital markets day to provide investors with an in-depth update on BATM strategy

## Employees

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

### How we engage

- A dedicated Human Resources function
- Open and transparent communication with our workforce
- Annual employee satisfaction surveys
- Personal and career development
- Recognition and rewards
- Code of Conduct

### 2023 HIGHLIGHTS

- **Appointment of Group-wide Global VP Human Resources**
- **A subsidiary took out medical insurance for all employees**
- **Round table discussions held between employees and management**

## Communities

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

### How we engage

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

### 2023 HIGHLIGHTS

- **Volunteering at a national food bank**

# Chief Financial Officer's Review



**Ran Noy, CPA**  
Chief Financial Officer

This year marked my first as CFO of BATM and I am pleased to be able to report that we delivered another strong financial performance, with solid results across our key metrics, against a challenging macroeconomic backdrop.

Total Group revenue increased by 5.8% to \$122.8m (2022: \$116.1m), reflecting growth in the Cyber division and in our distribution activities offsetting a reduction in the Networking division. On an underlying basis, when excluding the contribution to both years of sales from products related to COVID-19, total Group revenue increased by 11.7% year-on-year and by 20.8% for the Diagnostics division specifically.

Our gross margin for the year was broadly maintained at 32.5% compared with 32.7% in 2022, which reflects margin being largely stable across our divisions.

Sales and marketing expenses were \$19.1m (2022: \$17.2m), with the increase primarily reflecting activities to support the higher revenues and the impact of cost inflation. General and administrative expenses were \$15.1m (2022: \$13.0m). The increase reflects share-based payments, which are non-cash. R&D expenses were \$5.1m (2022: \$7.0m), reflecting cost reduction and recognition of intangible assets. Other operating income was \$1.1m (2022: \$2.4m), reflecting non-recurring income in both years. As a result, total operating expenses were \$38.2m (2022: \$34.8m).

On an adjusted basis, to exclude the share-based payments expense and amortisation of intangible assets, operating profit grew by 24.3% to \$5.0m (2022: \$4.0m) due to the increased revenue and stable gross margin. On a reported basis, the revenue and gross profit growth was offset by the increase in total operating costs resulting in an operating profit of \$1.6m compared with \$3.1m for 2022.

As a result of the aforementioned, EBITDA (excluding share-based payments) increased to \$9.3m for 2023 compared with \$8.3m for 2022.

Net finance expenses were reduced to \$0.2m (2022: \$1.2m), primarily due to an increase in finance income resulting from higher interest rates.

Profit before tax on an adjusted basis increased to \$4.8m (2022: \$2.8m) and was \$1.5m on a reported basis (2022: \$1.9m).

We recorded a \$0.8m tax expense for 2023 (2022: \$0.3m), which reflects the receipt of a one-time tax credit in the prior year.

On a reported basis, profit after tax before share of loss of a joint venture and associated companies was \$0.6m (2022: \$1.6m). After the share of loss of a joint venture and associated companies, we recorded a loss for the year of \$0.2m compared with a profit for 2022 of \$0.9m. As a result, there was a loss per share of 0.04¢ (2022: 0.06¢ earnings per share).

## Group Results

\$m	Adjusted*		Reported	
	2023	2022	2023	2022
Revenue	122.8	116.1	122.8	116.1
Gross margin	32.9%	33.0%	32.5%	32.7%
Operating profit	5.0	4.0	1.6	3.1
EBITDA	9.3	8.3	6.8	8.0

\* Throughout this Chief Financial Officer's Review, '\*' indicates adjusted to exclude amortisation of intangible assets and non-cash share-based payments.

## Chief Financial Officer's Review *CONTINUED*

As at 31 December 2023, inventories were \$38.2m (31 December 2022: \$34.5m). Trade and other receivables were \$31.2m (31 December 2022: \$36.5m). Intangible assets and goodwill at 31 December 2023 were \$20.8m (31 December 2022: \$18.5m).

Property, plant and equipment and investment property was \$16.7m (31 December 2022: \$15.9m).

Trade and other payables were \$41.7m (31 December 2022: \$46.3m).

Cash inflow from operating activities was \$5.0m, which was primarily generated by our core divisions, compared with an outflow of \$2.8m in 2022. This significant improvement primarily reflects a strong emphasis on cost management and collections.

Cash used in investing activities was \$6.1m (2022: \$16.3m used in), which primarily reflects investment in fixed and intangible assets and in joint ventures and associated companies, including ADOR. Cash used in financing activities was \$2.2m (2022: \$7.1m used in), which consists of lease payments. As a result, the net decrease in cash and cash equivalents was \$3.3m compared with a decrease of \$26.2m in the prior year, with the improvement primarily reflecting tax payments in 2022 relating to a business disposal along with currency impacts and returns to shareholders.

At 31 December 2023, we had cash and short-term investments of \$40.8m (31 December 2022: \$44.2m).

### Divisional Performance

#### Networking Division

\$m	2023	2022
Revenue	19.8	22.0
Gross margin*	47.1%	45.9%
EBITDA*	1.7	0.4

We delivered a significant increase in EBITDA in the Networking Division in 2023, despite a reduction in revenue and cost

pressures. This is primarily in reflection of lower operating expenses in 2023 as a result of cost reduction measures implemented.

Revenue was constrained by the worldwide slowdown in the telecommunications industry as economic uncertainty and an inflationary environment caused organisations to pause or delay purchasing decisions. Revenue generated by Edgility continued to increase, although revenue generated from carrier ethernet products continued to account for the vast majority of the Networking division revenue and was lower year-on-year. Despite the cost price inflation, there was an improvement in gross margin in the Networking division, supported by the greater contribution to revenue from Edgility.

#### Cyber Division

\$m	2023	2022
Revenue	10.3	5.9
Gross margin*	40.8%	40.6%
EBITDA*	2.4	0.6

The Cyber division performed strongly during the year, with revenue growing by 76.6%. The increased revenue combined with a slight improvement in gross margin and operating costs remaining broadly stable resulted in a 289.9% increase in adjusted EBITDA.

#### Diagnostics Division

\$m	2023	2022
Revenue	33.3	33.5
Gross margin*	31.0%	31.9%
EBITDA*	3.0	3.3

Revenue in the Diagnostics division increased by 20.8% over 2022 when excluding the contribution to both years from sales related to COVID-19 products, which accounted for an immaterial amount in 2023 and c. \$7m in 2022, and was broadly in line on an absolute basis. In addition, there was growth in the second half over the first half of the year.



The underlying growth was driven by the expansion of our customer base and product portfolio of distributed diagnostic products.

The slight reduction in gross margin primarily reflects the contribution to 2022 from COVID-19 products, which carry a higher margin. Operating expenses were broadly maintained and, accordingly, EBITDA was lower due to the slight decrease in revenue and gross margin.

### Secondary Activities

\$m	2023	2022
Revenue	59.3	54.8
Gross margin*	27.9%	27.8%
EBITDA*	2.3	4.0

Revenue generated by our secondary businesses grew by 8.3% year-on-year, driven by the distribution of pharmaceutical products and test administration. Whilst gross margin was maintained, EBITDA was lower than the previous year due to an increase in operating expenses primarily as a result of inflationary cost pressures.

# Key Performance Indicators

The Group reviews its key performance indicators ("KPIs") on an ongoing basis to ensure they remain relevant. As the Group continues to execute and embed its new strategy, further KPIs will be selected as the most appropriate measures of business performance.

## Revenue

**\$122.8m +6%**

(2022: \$116.1m)

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

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

**Performance** The increased revenue primarily reflects growth in the Cyber division and the Group's distribution activities offsetting a reduction in the Networking division, with the Diagnostics division revenue being broadly in line as it successfully mitigated the reduced demand for products related to COVID-19. Excluding sales of COVID-19 products in both years, revenue increased by 11.7%.

## Adj. EBITDA

**\$9.3m +12%**

(2022: \$8.3m)

**Description** Group earnings before interest, tax, depreciation and amortisation and adjusted to exclude share-based payments (which are non-cash).

**Why it is a KPI** Measure of our effectiveness in turning revenue into earnings.

**Performance** The growth in adj. EBITDA reflects the increased revenue and operational efficiency as the Group effectively managed resource allocation in line with its new strategy.

## Cash from operations

**\$5.8m +527%**

(2022: \$1.1m used in operations)

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

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

**Performance** The change mainly reflects the Group having significantly increased its cash generated from the operating activities in its core divisions during the year, along with a strong emphasis on cost management and collections.

# Sustainability Review

Sustainability is a key element of the Group's business and building a business to last has always been part of its ethos. Through medical diagnostics, technologies enabling a smarter world and eco-friendly waste treatment and nutrient recovery systems, BATM's solutions are designed to address the societal challenges of today and what the Group believes will be the demands of the future. As detailed in the following TCFD Report, in 2023 the Group also began implementing activities to be able to formally assess and manage the environmental impact of its operations as well as the challenges, risks and opportunities posed by climate change.

## PEOPLE

BATM's people are vital to sustaining success. In order to recruit and retain the best talent, the Group must ensure that, across its businesses, it is an employer of choice and that its employment policies and practices are sensitive to employees' priorities and requirements.

BATM has employees in six countries, including scientists, engineers, sales & marketing personnel and those in corporate functions, and aims to adhere to certain principles in terms of employee engagement and employment practices across the Group.

During the second half of the year, the Group strengthened its infrastructure with regards to human resources with the appointment of a Group-wide Global VP Human Resources. Following this, the Group has commenced implementing new processes to build on one of its core values of 'collaboration and teamwork' (see page 7).

### Engagement

BATM understands the importance of maintaining open and transparent communication with its workforce, and listening to its people and taking into account their feedback. To support employee engagement, the Group has a dedicated human resources function comprising a network of human resources departments at subsidiary level each headed up by a VP-level executive who are overseen by the Global VP Human Resources.

The senior management within the Group's businesses

regularly communicate with employees on areas including Group strategy and progress. The Group holds periodic 'roundtable' discussions for employees to meet with management to share their views, raise any concerns and make suggestions on how the workflow in their departments could be improved. The Group also holds off-site team building events and company celebrations. Following the appointment of the Global VP Human Resources, the objective is to build on these activities to create a consistently high standard of workforce engagement across the business as well as foster a Group-wide culture and sense of belonging.

BATM prioritises training and development for its workforce, which was continued during 2023. The Group has training schemes focused on product training, skills enhancement and the achievement of additional career-enhancing qualifications, and often supply in excess of two weeks training per year for individual employees.

### Equality, Diversity & Inclusion

BATM recognises the benefits to its business of supporting equality, diversity and inclusion for long-term sustainable success. The Group is committed to providing a working environment in which all employees feel valued and respected and are able to contribute to the success of the business. The Group promotes equal opportunities within all of its businesses and aligns its approach with international human rights standards. BATM believes its employees should be able to work in an environment free from discrimination, harassment and bullying, and that employees, job applicants, customers, and suppliers should be treated fairly regardless of:

- race, colour, nationality, ethnic or national origins;
- gender, sexual orientation, marital or family status;
- religious or political beliefs or affiliations;
- disability, impairment or age.

As a company incorporated in Israel, BATM is subject to the Israeli Law of Equal Opportunity at Work (1988), which forbids discrimination on the basis of (among others) race, nationality, state of origin and gender, including in hiring job candidates. The law states that if an employer asks an employee or candidate for such details, it will be assumed that the employer has violated the non-discrimination provision. The Group operates in compliance with this law.

## Health, Safety & Wellbeing

BATM prides itself on providing high levels of standards on the health and safety of its employees. The Group has, and adheres to, health and safety guidelines across the Group, and also has welfare programmes. The Group also provides clothing for employees working in manufacturing areas. There were no health and safety incidents reported and the Group did not receive any regulatory fines or penalties in relation to health and safety matters during the year.

## Anti-bribery & Corruption

BATM promotes responsible business behaviour. During the year, the Board approved a new anti-bribery and corruption policy that provides guidance, details prohibited activities and outlines responsibilities and whistleblowing mechanisms. The new policy was communicated with all unit managers who were instructed to ensure that their employees are aware of the policy, familiar with its provisions and conduct themselves accordingly.

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

During 2023, there were no instances of whistleblowing reports, bribery, corruption or business interruptions as a result of regulatory activity.

## COMMUNITIES

BATM strives to be a responsible corporate citizen within the local and wider communities in which it operates by behaving in a socially responsible manner and supporting local businesses and charities. While the Company does not have a formal Group-wide approach, during 2023 employees from one of the Group's subsidiaries volunteered at a national food bank.

In addition, a key tenet of BATM's strategy is the research

and development of solutions to counter the spread and improve the diagnosis of infectious disease. The Group's products are designed to be able to be used at the point-of-care in community healthcare facilities or in small- to medium-sized laboratories rather than purely in mega labs in a central location. The Group achieves this through producing solutions that, relatively, have a small footprint, are simple to use and are available at an appropriate price point.

## ENVIRONMENT

The Group has taken important steps during the year towards assessing and managing its impact on the environment, incorporating climate-related risks and opportunities into its business planning and reporting thereon, as detailed in the TCFD Report that follows. Developing awareness of environmental guidelines at operating facilities, upgrading energy and lighting systems and developing waste management procedures are examples of some of the initiatives to improve the Group's environmental impact that have already been made. The Group has several solutions that both support environmental sustainability and drive business opportunities, including:

- Edgility, the Group's open edge software platform, which reduces the amount of hardware needed and the need for on-site provisioning, enabling customers to consume less energy and reduce the carbon footprint for the same output.
- Solutions for the safe, effective and environmentally-friendly treatment of pathogenic waste from food production or medical and pharmaceutical facilities. These solutions enable customers to significantly reduce their environmental impact and also offer the ability to recover and recycle proteins and lipids. This technology can also be used for the recovery of high-quality protein and oils from insects.
- Environmental measuring systems, including solutions for testing air pollution levels in large manufacturing plants.

# TCFD Report

The Task Force on Climate-related Financial Disclosures (“TCFD”) disclosure framework is structured around four thematic areas that are core to how organisations operate – namely, governance, strategy, risk management and metrics and targets – with 11 recommended disclosures under these four themes.

This TCFD Report follows the structure of the TCFD 11 recommended climate-related disclosures, setting out those in which the Company is making full disclosures and those for which full disclosures are not being made for 2023, the reasons for not including them and the plans in place to make these disclosures going forward.

The table below shows the TCFD recommended climate-related disclosures and the status of each disclosure:

TCFD Recommendation	Status	Listing
<b>Governance</b>		
a) Describe the board’s oversight of climate-related risks and opportunities.	Full disclosure	See page 22
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	Full disclosure	See page 22
<b>Strategy</b>		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Full disclosure	See pages 23-24
b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	In progress	See page 25
c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	To be addressed	
<b>Risk Management</b>		
a) Describe the organization’s processes for identifying and assessing climate-related risks.	Full disclosure	See pages 25 and 27
b) Describe the organization’s processes for managing climate-related risks.	Full disclosure	See pages 25 and 27
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	Full disclosure	See page 25
<b>Metrics and Targets</b>		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	In progress	
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Full disclosure	See pages 25-26
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	To be addressed	

## TCFD Report *CONTINUED*

As disclosed in last year's report, there have been initial challenges in developing the required processes and resulting management actions and their integration into the business, which relate to the availability of data, climate proficiency and difficulties of operating across multiple businesses in multiple jurisdictions and in multiple industries. While recognising that the Group continues to be in the early stages of its journey in terms of formalising its approach to climate matters, the Board is pleased with the progress that has been made in 2023 and to date, which represents a cultural transition and increase in climate proficiency. In addition, and as described elsewhere in this annual report, part of the Group's new strategy involves investing in strengthening Group-wide infrastructure and collaboration. Accordingly, as the Group ramps up the execution on its strategy in the current year, the Board looks forward to reporting further progress in next year's TCFD Report.

### GOVERNANCE

*The organisation's governance around climate-related risks & opportunities.*

The following should be read in conjunction with the Corporate Governance section of this annual report, which can be found on pages 34 to 40, and which is incorporated into this TCFD Report by reference. The governance structure around climate-related risks & opportunities is part of the Group's overall risk & opportunities governance structure.

#### BOARD OVERSIGHT

The overall responsibility for the detection and management of climate-related risks and opportunities lies with the Board of Directors. The Board established a Responsible Business Committee, which oversees the management of the various responsible business activities of the Group, including the management of climate-related risks and opportunities. During 2023, the Committee met quarterly. In addition, climate-related issues were discussed in full Board meetings. Prior to their meetings, the Directors are furnished with information in a form and quality appropriate for them to discharge their duties concerning the state of the business and performance. In its meetings during 2023, the Committee's discussions included the TCFD disclosure recommendations, the Group's risk and opportunities management framework and the Group's risks and

opportunities register.

The Board has delegated the daily operational management of the business to the CEO and CFO. With this, the CEO communicates material matters arising, including climate matters, to the Board. The Board also receives a Group-wide overview of the Group's activities, including risks and opportunities, in the CEO's overview in the quarterly meetings of the Board.

During the year, Adv. Livneh, the senior manager leading the planning, delivery and reporting on the climate-related financial disclosures, provided a training session to the Board on climate matters as part of an ongoing programme to increase climate matters proficiency.

#### MANAGEMENT'S ROLE

Business unit managers oversee and report climate-related risks and opportunities at division level. BATM's Executive Directors serve as directors in Group subsidiaries, giving them greater insight across the business divisions and optimising information flow and operational decision-making.

Adv. Livneh and Ran Noy, CFO and the Group Risk and Opportunity Manager ("GROM"), between them consult with business unit managers to discuss climate risks and opportunities identification, management and reporting. The outcomes of these meetings contribute to the maintenance of the Group's Risk and Opportunity ("R&O") Register, which integrates climate-related transitional and physical risks and business opportunities, following the guidance provided by TCFD framework.

Adv. Livneh oversees the Group's adherence to the recommendations of the TCFD and the Group's corresponding disclosures. In addition, during the year, Adv. Yair Livneh provided a training session to senior managers on climate matters as part of an ongoing programme to increase climate matters proficiency.

#### NEXT STEPS

To enhance its governance regarding climate matters, the Group intends to continue with its climate proficiency programme in 2024. In addition, it will expand the engagement with business unit leaders regarding climate-related risks and opportunities identification and management.

## STRATEGY

*The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.*

Through the intrinsic nature of the Group's main activities, BATM's purpose is to deliver high-technology innovations that make a significant difference to the human experience in the areas of medical diagnostics, networking and cyber security. Through its research, innovation and the distribution and implementation of its solutions, the Group enables a wide variety of organisations around the globe to enhance

their resource and energy efficiency. The initial steps in understanding the environmental impact derived from the Group's own operations has focused predominantly on initiatives affecting its people and communities. BATM's integration of climate-related risks and opportunities management into the Group's processes is at a relatively early stage, but it has taken important steps to enhance its processes and reporting and is committed to making further progress.

The Group's assessment of its climate-related risks and opportunities are provided in the following TCFD Risks & Opportunities Table:

Risk Category	Category Overview	Subcategories	Description (including timeframe)
Transition Risk	Risks related to the transition to a low-carbon economy	Policy and Legal	- Potential fines related to level of GHG emissions (M) - Potential increase of tax liabilities in certain jurisdictions (M)
		Technology	- Potential of limiting success in tenders due to insufficient rating in environment certification (M) - Potential of increased energy consumption due to increased temperatures across various jurisdictions (L)
		Market	- Potential increase in insurance premiums or inability to insure assets (M)
		Reputation	- Costs of complying with climate-related regulation (S)
Physical Risk	Physical risks driven by extreme weather events (e.g. heatwaves, floods, wildfires) or extended periods of increased temperatures leading to the development of chronic climate events (e.g. desertification)	Acute	- Potential damage to infrastructure, closure of production plant and business activity interruption due to wildfires in certain jurisdictions (L) - Increase in costs due to higher energy consumption due to alterations in global temperature patterns (L)
		Chronic	

# TFCD Report *CONTINUED*

Risk Category	Category Overview	Subcategories	Description (including timeframe)
<b>Opportunity</b>	Opportunities arising as the business landscape transitions to a low-carbon economy	Resource Efficiency	- Increased customer preference due to potential reduction in energy consumption/GHG emissions ( <b>S</b> )
		Energy Source	- Analysis of alternative energy source provision to improve costs and reduce environmental impact at facilities in certain jurisdictions ( <b>S</b> )
		Products/Service	- Enhanced resilience compared with competitors due to earlier adoption of climate-related risks and opportunities management ( <b>S</b> )
		Markets	
		Resilience	

KEY: **S** – short term; **M** – medium term; **L** – long term



The Group considers the short-term time horizon to be up to two years; medium-term to be between two and five years; and long-term to be over five years. In defining such timeframes, the Group took into account the nature of climate-related issues, which often manifest themselves over the medium and longer terms; the useful life of the Group's assets and infrastructure; and the timeframe that is relevant and realistic to identify and analyse transitional changes and to make the necessary adjustments in the strategy and operations of the Group, such as developing new product lines or making changes in existing ones.

To determine which risks and opportunities could have a material financial impact, the Group established and applied a Risks and Opportunities Management ("ROM") Framework, as described in the Risk Management section of this report. This Framework incorporates the detection, evaluation and management of climate-related risks and opportunities into the Company's general risk management, and in its application during 2023 climate-related risks and opportunities were discussed with unit managers and considered in the process of maintaining and updating the Company's R&O Register.

The risks and opportunities detection, analysis and evaluation performed by the Group in 2023 did not reveal any climate-related issues that, in the opinion of the Group, taking into account the probability, impact and timeframe of the risks and opportunities, could have a material financial impact on the Group.

### NEXT STEPS

In 2024, the Group will continue to enhance its climate matters proficiency across the organisation and continue to develop a comprehensive and systematic approach to measuring its environmental footprint.

This, along with enlisting the support of specialist ESG advisers, will enable the Group to execute a Materiality Assessment and conduct appropriate Climate Scenario Analysis in due course.

## RISK MANAGEMENT

*The processes used by the organisation to identify, assess, and manage climate-related risks.*

The Group's processes to identify, assess and manage climate-related risks are described in the Risk Management section on pages 27 to 29, which is incorporated into this

TCFD Report by reference. The processes regarding climate-related risks are fully integrated into, and form part of, the processes for all business risks.

As noted in the Risk Management section, the management of the Group's business risks, including climate-related risks, is the responsibility of the Board. The GROM – in conjunction with the Board, General Counsel, business unit managers and external advisers – identifies and assesses business risks, and develops proposed actions for the management thereof.

Risk management is conducted in accordance with the Group's ROM Framework, which incorporates the following four key steps, as discussed further in the Risk Management section: detection and list, assessment, action and monitor and report. This process was initiated towards the end of 2022 and formalised during 2023, enabling the production of a formal R&O Register. The Group also progressed the collection of climate-related data, which is required to be able to fully assess climate-related risks.

### NEXT STEPS

The key next steps to enhance the Group's processes for the identification, assessment and management of climate-related risks are:

- Continuing to fully embed the ROM Framework, including establishing processes for more dynamic implementation.
- Climate proficiency development and deployment across the business.
- The identification and establishment of appropriate consistent climate-related data and reporting, including necessary processes for data collection and collation.

## METRICS AND TARGETS

*Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.*

The material impacts from the Group's business are assessed based on standards and regulations relevant to the multiple nature of the Group's operations. To strengthen its efforts in understanding, monitoring and mitigating the climate-related risks to the operations, the depth and breadth of metrics collected was significantly expanded in 2023. A comprehensive assessment of BATM's Greenhouse Gas

## TFCD Report *CONTINUED*

(GHG) emissions was undertaken, in accordance with the Greenhouse Gas Protocol Corporate Standard, with support from specialist ESG advisers. The following is a summary of the key insights:

- A coordinated approach, involving several stakeholders from over 100 locations across the Group has yielded an improvement on data availability and quality, strengthening the reporting figures for Scope 1 & 2.
- Through dedicated interaction with facility managers across all jurisdictions, BATM has been able to gather high quality, primary data for electricity, heating and fuel consumption through supplier invoices and air conditioning service certificates.
  - Direct energy consumption figures were obtained through energy supplier statements from nearly 70% of the facilities. Where limited energy usage data was available, location-specific national grid averages were used, otherwise, market-based calculations were made.
- In addition, fuel consumption has been more widely disclosed, to incorporate the fleet and company registered vehicles for all divisions.
- The scope of measurement has been expanded to include Scope 3 Category 6: Business Travel, supported by itemised business travel logs and travel agency invoices.
- Based on the level of measurement carried out to date, emissions from Scope 1 & 2 represent 90% of overall emissions recorded.
- The overall reported result shows total emissions were 2,172 tCO<sub>2</sub>e

The following table shows the Group's 2023 GHG emissions broken down by scope and division, including the Group's corporate headquarters and its secondary activities:

Division	CO <sub>2</sub> e (tons) Scope 1&2	Business Travel CO <sub>2</sub> e (tons) Scope 3 Cat.6	TOTAL CO <sub>2</sub> e (tons)	Distribution Ratio
Corporate HQ	24.20	28.05	52.25	2%
Networking	133.50	72.00	205.50	10%
Cyber	23.39	2.47	25.86	1%
Diagnostics	561.81	36.72	598.53	28%
Secondary	1,213.65	76.59	1,290.24	59%
<b>Total Group</b>	<b>1,956.55</b>	<b>215.83</b>	<b>2,172.38</b>	<b>-</b>

In preparation for establishing performance metrics to assess the environmental impact and progress within each division, the Group has analysed carbon intensity ratio per US\$ million in revenue in 2023:

Division*	Revenue (\$m)	TOTAL CO <sub>2</sub> e (tons)	tCO <sub>2</sub> e/\$m	Distribution Ratio
Networking	19.8	213.92	10.80	10%
Cyber	10.3	30.26	2.94	1%
Diagnostics	33.3	612.71	18.40	28%
Secondary	59.3	1,315.48	22.18	61%
<b>Total Group</b>	<b>122.8</b>	<b>2,172.38</b>	<b>17.69</b>	<b>-</b>

\* The emissions for the corporate headquarters have been allocated to the divisions on a proportionate basis

### NEXT STEPS

To enable the Group to better monitor its emissions, determine trends, establish reduction targets, analyse potential areas of risk and identify the opportunities available, the Group intends to progress:

- System integration for collecting data throughout the year across the various divisions.
- Using emission data to inform decision making through regular internal reporting and support the management and eventual reduction of emissions from Scope 1 & 2.
- Continue the expansion of Scope 3 categories measurement.

# Risk Management

---

## RISK MANAGEMENT PROCESS

The management of the Group's business risks is the responsibility of the Board. The process for the identification and assessment of business risks, and the management thereof, in accordance with BATM's corporate Risk and Opportunity Management ("ROM") Framework, is as follows:

### Detection and Listing

The Group Risk and Opportunity Manager ("GROM") – in conjunction with the Board, General Counsel, business unit managers and external advisers – identify risks and opportunities ("R&O") that are material to BATM, and which includes the consideration of climate-related risks. The process includes meetings with unit managers and the use of key relevant information sources. The maintenance of the resulting R&O list is undertaken by the GROM and approved by the Board. Mr. Ran Noy, the Group's CFO and an Executive Director, was appointed as the GROM of BATM.

### Assessment

An assessment of each R&O is undertaken by the GROM, in conjunction with the parties listed above. This assessment is based on impact, probability and timeframe and determines those risks and opportunities that require the development of appropriate actions.

### Action

The GROM, with the appropriate unit managers, develops proposed actions that are then finalised in conjunction with the CEO. The GROM and unit managers ensure the completion of the actions in the agreed timeframe.

### Monitor and Report

The Company's internal auditor (as defined under Israeli law) monitors the completion of the agreed actions and the CEO and GROM report regularly to the Board, who monitor and approve the decisions and actions.

The process is repeated periodically, with dynamic adjustments to the process itself, if required, and based on any significant changes in any significant risk and/or opportunity.

## VIABILITY STATEMENT

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

In making their assessment, the Directors took account of the Company and the Group's current financial and operational positions and contracted capital expenditure. They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out above and the likely degree of effectiveness of current and available mitigating actions. Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due for the three years to 31 December 2026.

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

## Risk Management Report *CONTINUED*

### PRINCIPAL RISKS AND UNCERTAINTIES

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

	Risk	How we manage the risk	Risk change
Political and economic	There is a risk of harm to the business from political unrest or disruption, particularly in emerging markets, and from a deterioration of economic conditions.	The Group's operations are dispersed over a number of locations so that should a material adverse political or economic event arise in one location, the Group can continue with its operations elsewhere, thereby helping to mitigate the impact on its overall business.	Up
Legal and compliance	There is a risk that legal and/or regulatory requirements are not met, leading to the loss of licence to operate, reputational damage or financial loss.	The Group retains experienced high calibre legal advisers for the Company and main subsidiaries in the Group who provide ongoing advice and updates on relevant legal compliance requirements. The Group monitors the regulations relevant to its activities and, when needed, makes the necessary adjustments to maintain compliance.	Down
Business continuity	There are risks to business continuity from specific events, such as natural disasters and pandemics.	The Group operates in numerous locations and its manufacturing contractors are also located in multiple locations, which would help to mitigate the impact of a business disaster. In addition, the key employees in the workforce have been positioned such that they are able to work without interruption by working remotely from their homes. The Group also keeps a cash cushion to ensure that unexpected events don't cause unnecessary indirect adverse effects beyond the direct outcomes.	No change
Supply chain	A disruption in the supply of key raw materials or services to a manufacturing site could affect the Group's ability to make and deliver products to customers, leading to interruption in supply, lost revenue and damage to its reputation as a reliable supply partner. This could be resulting from market shortages, disruption due to global events and physical climate-related disruption of upstream supply chains.	The Group has established strong supplier relationships and collaborates with multiple vendors globally to broaden the geographical coverage of its access to available components. The Group requests that customers provide long-term committed forecasts and itself provides multi-year forecasts to its contract manufacturers. In addition, where appropriate, it reengineers products to enable them to have replaceable component alternatives. At times when availability of components is constrained, the Group seeks alternative sources and to increase inventory levels of both components and finished goods.	No change

	Risk	How we manage the risk	Risk change
Competition	There is a risk that BATM is unable to build and maintain competitive advantage in its focus markets. In particular, there is a risk that competitors with greater financial resources may develop technology that is superior to that of the Group and they may also adopt more aggressive pricing models or undertake more extensive advertising and marketing campaigns.	The Group operates in large markets, but with a focus on areas where it can establish a leadership position through technological expertise and innovation. The diversification of its end markets reduces its exposure to a large competitor in any one sector. The Group ensures that its products remain world-leading through investment in R&D. It maximises its resources and enhances its routes-to-market by establishing partnerships, collaborations and joint ventures.	No change
Customers and partners	There is a risk of harm to the Group's revenues as a result of termination of business relationships with material customers or partners and sales agents. This risk is increased by the challenging global macroeconomic conditions and the impact that this could have on the business and viability of customers and partners.	The Group maintains ongoing dialogue with its customers and business partners in order to identify ahead of time any potential problems arising on the part of the customer and in order to maintain a close relationship with its customers. The Group also does not have a significant reliance on one or few customers or partners.	Up
Research & Development (R&D)	There is a risk that R&D programmes overrun or do not deliver the expected benefits.	With respect to its R&D, the Group's strategy has been to diversify its R&D operations among a variety of teams, internally and externally (through universities and hospitals that carry out clinical tests) and by using different R&D funding sources – thus reducing the R&D risk. In addition, any significant new R&D projects are brought to the Board for consideration. Still, the Group considers certain level of risk as inherent to R&D activity, and views R&D activity as valuable to the Group despite that risk.	No change
Information security (including cyber security)	There is a risk of information security, data loss and corruption, and physical damage to IT infrastructure.	The Group routinely carries out proactive measures, such as IT evaluations, to ensure that its IT systems have the latest cyber security tools and security procedures in place. These procedures include implementing security controls and staff training.	Up
Market risk	There is a risk that changes in market prices, such as foreign exchange, inflation and interest rates, will lead to financial loss.	The Group's finance department at the corporate level manages and monitors market conditions and exposure. Most of the cash, income and expenses in each company or subsidiary is held in a way to reduce the Group's exposure to currency fluctuations. When this is not possible, the Group uses hedging transactions when needed to protect itself against potential currency risk. However, this is only done to a certain extent as the Board believes it is very difficult to hedge against currency fluctuations arising from translation in consolidation in a cost-effective manner.  The Group also monitors the impact of the inflation and adjusts sales prices to maintain its margins. The Group's exposure to interest rate risk is low as it has relatively low bank debt. However, due to the impact of changes in interest rates on the financial markets, the Group closely monitors possible indirect impacts.	No change

All of the risk categories have elements related to climate change. For further information on the Group's climate-related risk management, please see the 'Strategy' and 'Risk Management' sections of the TCFD Report on pages 21 to 26.

# Directors' Biographies

## Gideon Chitayat Non-executive Chairman

Dr. Gideon Chitayat is the Chairman and CEO of GMBS Ltd, a strategic consulting firm. He has served as the Chairman of Delta Galil Industries and as a director of Milissron Shopping malls, Paz Oil Company, Teva Israel Pharmaceutical Industries, Bank Hapoalim and Israel Aircraft Industries, and has provided consultancy services in business strategy to the board and presidents of large companies. He has also served as Adjunct Professor at Tel Aviv University, Recanati Business School. Dr. Chitayat holds a Ph.D. in Business & Applied Economics from the University of Pennsylvania, Wharton School and a Master's in Business & Applied Economics from the Hebrew University, Jerusalem. Dr. Chitayat joined the Board of BATM in June 2010 and was appointed Chairman in January 2015. He was re-elected as a Director of the Board in July 2023.



### Skills and experience

Dr. Chitayat has extensive experience in providing strategic business advice to Boards and executives across a wide range of sectors including high-tech and healthcare. He also has vast and in-depth knowledge of the business of the Group. Other relevant key skills include:

- Board management
- Strategy formulation
- Financial expertise
- Corporate governance
- Shareholder and stakeholder engagement
- Performance monitoring

### Committee membership



## Moti Nagar Executive Director & CEO

Moti Nagar was appointed CEO effective 1 January 2023, having been the Group's CFO since 2015. During his time at BATM, Mr. Nagar has been instrumental in driving the business' growth, including leading several M&A transactions, the Group's IPO on TASE and, since his appointment as CEO, renewing the Group's strategy. He was re-elected as a Director of BATM in July 2023.



Prior to BATM, Mr. Nagar held several senior positions at Deloitte, which he joined in 2005. As a Senior Manager, Mr. Nagar was responsible for handling the accounts of leading corporate clients in Israel and overseas, with companies traded on the LSE, NASDAQ and TASE as well as private businesses operating in a range of sectors.

Mr. Nagar graduated in Business Management and Accounting and qualified as an Israeli Certified Public Accountant (CPA, Israel) in 2008. He also holds an MBA in Financial Management from Tel Aviv University.

### Skills and experience

Mr. Nagar brings to the role of CEO business management and accounting skills and experience he gathered from his years as CFO at BATM and as an audit manager to international companies. As CEO of BATM his core skills include:

- Business leadership and management
- International business operations and strategy
- Business finance
- M&A experience
- Stakeholder and shareholder management
- Forward thinking and calculated risk management

### Committee membership



## Ran Noy

### Executive Director & CFO

Ran Noy has been the CFO of BATM since 1 February 2023, having served as VP Finance since joining the Group in 2021, and was elected as a Director in July 2023.



Prior to BATM, Mr. Noy spent 10 years in the finance department at ADAMA Ltd., a global agri-chem business that delivered sales of \$5bn in 2021. Latterly as Financial Reporting Manager, he was responsible for ADAMA's financial reporting to the Shenzhen Stock Exchange and the Tel-Aviv Stock Exchange. He was also instrumental in ADAMA's listing on the Shenzhen Stock Exchange via the reverse takeover of a subsidiary of ChemChina and was responsible for the financial integration of that business. Mr. Noy is an Israeli Certified Public Accountant who began his career as an auditor at EY Israel.

#### Skills and experience

Mr. Noy has skills and experience in developing and managing financial systems and in financial management of international businesses with multiple subsidiaries. His skills include:

- Financial management
- Business management
- Financial reporting
- M&A and IPOs
- Financial integration
- System implementation

#### Committee membership

## Zvi Marom

### Founder & Non-executive Director

Dr. Zvi Marom founded BATM in 1992 and served as CEO until January 2023. A former first lieutenant in the Israeli Navy, he graduated with excellence from the officers course of the Naval Academy and with excellence from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler – Gold Schlagger School of Medicine, Israel and an MSc in Electronics. Dr. Marom was the Chairman of the Hi-Tech Union of the Manufacturers' Association of Israel until January 2021, and he now serves as the head of its quantum forum. In 2021, he received The Industry Award from the Manufacturers' Association of Israel, and in March 2024 he was awarded the Knight's Cross of the Order of Merit of Hungary. He is Chairman of ADOR Diagnostics, an associate company of BATM, and a director of Shore Capital Group plc. Dr. Marom was re-elected as a Director of BATM in July 2023.



#### Skills and experience

As the founder of the Company and its CEO for many years, Dr. Marom has vast relevant business experience and in-depth knowledge of the Group, its markets and various stakeholders, and holds important organisational memory.

#### Committee membership



## Directors' Biographies *CONTINUED*

### Harel Locker

#### Non-executive Director & Senior Independent Director

Harel Locker has been the Chairman of the Board of Paz Oil Ltd, the leading Israeli energy company, since 2021 and was the Chairman of the Board of Israel Aerospace Industries Ltd, the leading Israeli aerospace and defence company, from 2017 to 2021. He served as the Director General of the Israeli Prime Minister's Office and head of the Prime Minister's economic headquarters between 2011 and 2015. Mr. Locker commenced his career practicing commercial law for more than 25 years with both Tel Aviv and Wall Street, New York City, first tier law firms. He was appointed to the Board of BATM in September 2016 and his third three-year term, in accordance with Israeli law, was approved by shareholders in December 2022.



#### Skills and experience

Mr. Locker brings to the Board broad business and managerial skills based on his vast experience, as well as in-depth understanding of the dynamics of government authorities.

#### Committee membership



### Varda Shalev

#### Non-executive Director

Prof. Varda Shalev is a specialist in epidemiology, medical informatics and predictive analytics in community healthcare. She was a founder and director of the Morris Kahn & Maccabi Institute for Health Research and Innovation and is an active primary care physician. She has pioneered the development of multiple disease registries to support chronic disease management, and has authored or co-authored over 200 publications in peer-reviewed medical journals. She is a Managing Partner of Team8 Health, a medtech-focused venture capital company, and a director of Teva Pharmaceutical Industries Ltd. In addition, she is a Professor at the Tel Aviv University School of Public Health and sits on the advisory board of several med-tech businesses. She was appointed to the Board of BATM in November 2018 and her second three-year term, in accordance with Israeli law, was approved by shareholders in December 2021.



#### Skills and experience

Prof. Shalev brings 30 years' experience in medicine, including clinical research, healthcare information technology and epidemiology. Her industry and clinical knowledge is complemented by business acumen, having established and grown a number of organisations, making Prof. Shalev a valuable addition to the Group as it develops its bio-medical product offering and markets.

#### Committee membership





## Avigdor Shafferman

### Non-executive Director

Dr. Avigdor Shafferman had an established career at the Israel Institute for Biological Research, a leading governmental applied research institute specialising in the fields of biology, medicinal chemistry and environmental sciences, where he worked for almost 40 years. He is a recipient of several prestigious scientific awards and author of over 200 scientific papers. Most recently, from 1995 until his retirement in 2013, he was General Director of the organisation. Other roles have included serving as a visiting professor in the University of California, San Diego at the biology department as well as a visiting senior research scientist at various leading research institutions in the United States in various medical areas, including vaccines. Dr. Shafferman holds a Ph.D. in physical chemistry from the Hebrew University of Jerusalem. He was re-elected as a Director of BATM in July 2023.



### Committee Key

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Responsible Business Committee
- Committee Chair

### Skills and experience

Dr. Shafferman is an influential scientist with experience in top-management and international cooperation. His skills span applied medical research, vaccine development and environmental science, which is highly relevant for supporting BATM's developmental diagnostic activities.

### Committee membership

**A** **R** **N** **RB**

# Corporate Governance Report

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

## CORPORATE GOVERNANCE FRAMEWORK

The Board has delegated the daily operational management of the business to the CEO, and holds him to account for his responsibilities. Business risks and opportunities are assessed primarily through the leadership of the Executive Directors (one of whom currently serves as the Group Risk and Opportunity Manager) in consultation with the business unit managers. The Board also operates through several committees: Audit, Remuneration, Nomination and Responsible Business. Executive Directors serve as directors in Group subsidiaries. The Board receives a Group-wide overview of the Group's activities, including risks and opportunities, in the CEO's overview in the quarterly

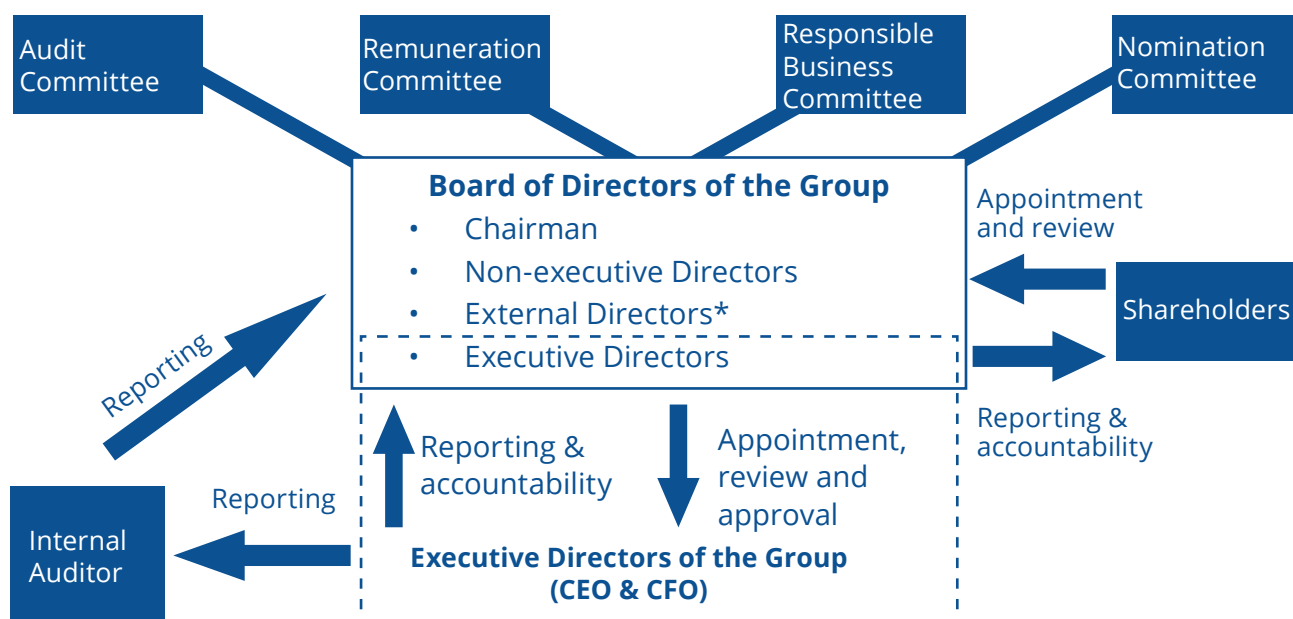
meetings of the Board. The Board of the Group is able to validate the information that it receives from the Executive Directors via the internal auditor (as defined under Israeli law) and the external auditors' audit of the annual and interim reports. BATM's corporate governance structure is shown in the diagram below.

## THE BOARD

During 2023, the Board consisted of the Chairman, two Executive Directors (Moti Nagar, CEO, and, from 13 July 2023, Ran Noy, CFO) and four Non-executive Directors, two of which are defined as 'external directors' under Israeli law. All the Directors bring a broad and valuable range of skills and experience to the Group (their biographical details are set out on pages 30 to 33). The division of responsibilities between the Chairman, CEO and other Directors is clearly established, and no individual has unrestricted powers of decision.

## MATTERS RESERVED FOR THE BOARD

The Israeli Companies Law, which applies to the Company, sets out and defines the responsibilities and duties of, and areas of decision for, the Board. These include preparation and approval of financial statements; distributions (dividends and buy-backs); long-term objectives and commercial strategy; appointment, removal and compensation of senior management; major investments; risk management; corporate governance; engagement of professional advisers;



\* As defined under Israeli law

political donations; internal control arrangements; and additional responsibilities and duties as defined in the Israeli Companies Law and the Company's Articles of Association. The ultimate responsibility for reviewing and approving the annual report and financial statements, and for ensuring that they present a balanced assessment of the Company's position, lies with the Board. These provisions have been fully complied with.

## BOARD AND COMMITTEE MEETINGS

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

## DIVISION OF RESPONSIBILITIES

The responsibilities of the Chairman, CEO and other Directors are clearly set out and defined under Israeli Companies Law and the Company's Articles of Association, with no individual having unrestricted powers of decision.

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

### Meeting attendance

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Dr. Gideon Chitayat, Chairman <sup>(1)</sup>	10/10	-	-	1/1	4/4
Moti Nagar, CEO <sup>(1)</sup>	10/10	-	-	-	4/4
Ran Noy, CFO <sup>(1)(2)</sup>	4/4	-	-	-	-
Harel Locker, SID	8/10	5/7	5/7	0/1	3/4
Dr. Zvi Marom, NED	10/10	-	-	-	-
Prof. Varda Shalev, NED	10/10	7/7	7/7	1/1	4/4
Dr. Avigdor Shafferman, NED	10/10	7/7	7/7	1/1	4/4

(1) The Chairman and/or Executive Directors attend parts of certain meetings of the Audit and Remuneration Committees at the request of the Committee or when the Committee Chair decides that they are required for the presentation of certain subjects.

(2) Appointed to the Board on 13 July 2023.

## INDEPENDENCE

Mr. Locker, Prof. Shalev and Dr. Shafferman qualify as "Independent Directors" as this term is defined in the Israeli Companies Law. The Board considers that the aforementioned directors in addition to Dr. Gideon Chitayat are independent in accordance with the UK Corporate Governance Code, being independent in character and judgment. The interests of the Directors in the Company and their shareholdings are set out on page 57.

All directors are subject to annual re-election by shareholders at the Annual General Meeting, except the external directors – being Harel Locker and Prof. Varda Shalev – who, in accordance with Israeli law, cannot be subject to annual re-election (but the law does allow for their removal from office if certain conditions are met). External directors under Israeli law are appointed for a minimum of one three-year term, which may be extended by the Company (subject to shareholder approval) for no more than two additional terms of three years each.

## DIVERSITY

The Group operates open and inclusive hiring and staff management practices, and encourages employment of people drawn from a wide range of socioeconomic backgrounds. At present, it does not have a formal diversity policy due to the requirements of the Israeli Law of Equal Opportunity at Work (1988) (see 'Equality, Diversity & Inclusion' on page 19). However, it appreciates its importance and intends to explore the ability to produce a policy that complies with Israeli law. The Board evaluates and reviews its structure, size and composition on a continual basis, including its balance

## Corporate Governance Report *CONTINUED*

of skills, knowledge, experience and diversity, while factoring in the Group's strategy, risk appetite and future development.

As at 31 December 2023, gender representation on BATM's board and executive management team was as shown in the table below.

### EFFECTIVENESS & EVALUATION

The Board's members have a wide breadth of experience in areas relating to the Company's activities, including in leadership, management, business development, technology (especially in the bio-medical and diagnostics areas), finance, entrepreneurship and risk management. All of the Directors are of a high calibre and standing. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a director of a listed company and that the Board is comprised of a good balance of Executive and Non-executive Directors to ensure it performs its duties effectively. Further biographical details can be found on pages 30 to 33.

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

Non-executive Directors are advised on appointment of the time required to fulfil their role. The Company's two External Directors, as defined under Israeli law, being Harel Locker and Varda Shalev, have significant additional appointments, which is customary in Israel owing to the fixed nature of remuneration and tenure of External Directors. In addition, the Board considers their broader involvement in the business community to be of benefit to BATM and it is satisfied that the Chairman and each of the Non-executive Directors, including the External Directors, are able to devote sufficient time to the Company's business.

During the year, the Board undertook an internal evaluation of its own performance and that of its committees and individual Directors. Individual evaluation aims to show

whether each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and other duties). The evaluation was undertaken by the Chairman, Gideon Chitayat, and his performance was evaluated by Harel Locker, the Senior Independent Director. The findings in both cases were reported to the full Board.

### INDUCTION

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

### INFORMATION AND SUPPORT

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

The Company Secretary, Yair Livneh, is present at every Board meeting and Board committee meeting. All of the Directors have access to Mr. Livneh's services. In accordance with the Israeli Companies Law, in special cases the Directors may take independent professional advice at the Company's expense in furtherance of their duties, if the Company's cover of the costs is approved by the Board or by a court of law.

#### Board & executive management diversity

	Number of board members	Percentage of the board	Number in executive management	Percentage of executive management
Male	6	86	33	70
Female	1	14	14	30

## BOARD COMMITTEES

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

### **Audit Committee**

**Members:** Harel Locker (Chairman), Prof. Varda Shalev and Dr. Avigdor Shafferman

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

The Audit Committee has been delegated responsibility for ensuring the financial performance of the Company is properly reported on and reviewed and for the monitoring of the external auditor, the internal auditor and oversight of internal controls. Further details on the Audit Committee's responsibilities and main activities are set out in the Audit Committee Report on pages 41 to 43.

### **Remuneration Committee**

**Members:** Prof. Varda Shalev (Chair), Harel Locker and Dr. Avigdor Shafferman

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's policy on staff remuneration and is authorised to decide whether to approve remuneration of Office Holders (as designated under Israeli Companies Law), including the Chairman of the Company and Executive Directors (including pension rights and any compensation payments). The membership of the Remuneration Committee consists of the Company's independent Non-executive Directors.

Further details on the Remuneration Committee's responsibilities and activities can be found in the Remuneration Committee Report on pages 44 to 45 (within the Directors' Remuneration Report). Information on the Company's policy regarding the setting of Directors' remuneration, together with the remuneration of Directors, is set out in the Directors' Remuneration Report on pages 44 to 59. The Company's current remuneration policy as recommended by the Remuneration Committee was approved at the Annual General Meeting of the Company on 14 December 2021. The remuneration policy is more fully explained in the Directors' Remuneration Report.

### **Nomination Committee**

**Members:** Dr. Gideon Chitayat (Chairman), Prof. Varda Shalev, Harel Locker and Dr. Avigdor Shafferman

The membership of the Nomination Committee consists of the Company's independent Non-executive Directors. In line with the Committee's terms of reference, the Chairman of the Board acts as chairman of the Committee. During the year, the Nomination Committee met on one occasion where it discussed, and recommended to the Board, the appointment of Ran Noy as a Director. In addition, as described under 'Effectiveness & Evaluation' above, the Chairman of the Committee, as Chairman of the Board, conducted an evaluation of Board performance.

The Nomination Committee is specifically tasked with assessing the process utilised by the Company in relation to Board appointments and in monitoring diversity during the recruitment process and in the context of the resulting appointment made. During the process, the Nomination Committee considers the role and capabilities required for a particular appointment, with consideration given to the balance of skills, experience, independence and knowledge on the Board. Board appointments are made on merit, having due regard, amongst other things, to the benefits of diversity on the Board. The Nomination Committee considers the skills, experience and expertise of a potential candidate against the needs of the Company, and presents its recommendations to the Board.

### **Responsible Business Committee**

**Members:** Dr. Gideon Chitayat (Chairman), Moti Nagar, Harel Locker, Prof. Varda Shalev and Dr. Avigdor Shafferman

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

## Corporate Governance Report *CONTINUED*

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

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

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

The Responsible Business Committee met on four occasions during the year where it discussed the Taskforce on Climate-related Financial Disclosures disclosure recommendations, the Group's risk and opportunities management framework and the Group's risks and opportunities register, the Group's Anti-Bribery and Corruption Policy and the Group's activity regarding Human Resources.

### RELATIONS WITH SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

Communication with shareholders is given high priority. The half-yearly and annual results are intended to give a detailed review of the business and developments, and are available on the Company's website to all shareholders. Printed copies of the full Annual Report are made available on request. The Company's website ([www.batm.com](http://www.batm.com)) contains up to date information on the Company's activities and published financial results. The Company solicits regular dialogue with institutional shareholders (other than during closed periods) to understand shareholders views. The Board also uses the Annual General Meeting to communicate with all shareholders and welcomes their participation. Directors are available to meet with shareholders at appropriate times. The Company is committed to having a constructive engagement with its shareholders. During 2023, the CEO and CFO attended:

- 20 scheduled meetings with UK-based investors (including

- three group meetings/presentations); and
- seven scheduled meetings with Israel-based investors.

The Chairman of the Board attended the Annual General Meeting. He also met with certain significant shareholders during the year without the Executive Directors present.

As of 31 December 2023, to the best of the Company's knowledge, the following persons or entities had a significant holding of BATM ordinary shares:

- Lombard Odier Investment Managers – 28.76%
- Dr. Zvi Marom, Non-executive Director and founder – 22.19%
- Hargreaves Lansdown – 4.35%
- Herald Investment Management – 4.21%
- Canaccord Genuity Wealth Management – 3.63%

### CULTURE AND CONFLICTS

The Board also works to ensure that within the Group there exists a culture that is free from discrimination and harassment in any form. The Board ensures that the Company complies with Israeli legislation known as the Israeli Equal Rights for People with Disabilities Law, 5748-1988 to ensure that appropriate consideration is given to employees with disabilities. The Company is also in full compliance with Israeli legislation known as the Law of Equal Opportunity at Work, 1988, which requires an employer not to discriminate amongst employees on account of sex, sexual tendencies, personal status and various other forms of discrimination.

During the year, Prof. Varda Shalev met with Sigal Wolf, the Global VP Human Resources of the Group, to receive updates regarding Mrs. Wolf's conversation and interactions with the workforce, which were relayed to the full Board. The Board also resolved during the year to extend Prof. Shalev's appointment as voice of the workforce for a further year to the end of 2024. In addition, the Board received a review from Mrs. Wolf regarding HR matters and discussed the approach to HR.

Throughout 2023, the Company complied with procedures in place for ensuring that the Board's powers to authorise conflict situations operated effectively and this has also been considered at a committee level where appropriate. During 2023, no conflicts arose that required the Board to exercise authority or discretion in relation to such conflicts.

## ANNUAL GENERAL MEETING

The 2023 Annual General Meeting (“AGM”) was held on Thursday 13 July 2023. The results of voting were published via the Regulatory News Service and on the Company’s website at [www.batm.com](http://www.batm.com). The Chairman and CEO attended the AGM in person and the CFO attended virtually, with a facility also being made available for shareholders to attend remotely and ask questions.

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company, as a company with a Premium Listing and therefore subject to Listing Rule 9.8.7R, is subject to the principles and provisions of the UK Corporate Governance Code (the “Code”) published by the Financial Reporting Council (“FRC”), a copy of which is available from the FRC’s website at <https://www.frc.org.uk>.

Details of how the principles of the Code have been applied can be found throughout the Corporate Governance section and the Strategic Report as follows:

<b>Board leadership and company purpose</b>	<b>Page reference</b>
Chairman’s Statement	4-5
Business Model	6
Strategy	7
Chief Executive Officer’s Review	8-9
Corporate Governance Report	34-40
Stakeholder Engagement	13-14
<b>Division of responsibilities</b>	
Matters reserved for the Board and Board and Committee Meetings	34-35
Division of Responsibilities	35
Board Committees	37-38
<b>Composition, succession and evaluation</b>	
Directors’ Biographies	30-33
The Board	34
Effectiveness & Evaluation	36
Nomination Committee	37
<b>Audit, risk and internal control</b>	
Audit Committee Report	41-43
Risk Management	27-29
<b>Remuneration</b>	
Directors’ Remuneration Report	44-59

## Corporate Governance Report *CONTINUED*

The Board considers that, during 2023, the Company complied with the provisions set out in the Code with the exception of the matters referred to below:

Provision	Exception and explanation
<p><b>18</b> All directors should be subject to annual re-election.</p>	<p>In accordance with Israeli law, the Company is required to appoint at least two independent non-executive directors (defined as 'external directors' within Israeli law), who must be appointed for a minimum of one three-year term. Mr. Harel Locker and Prof. Varda Shalev are classified as external directors and cannot be subject to annual re-election (however, the Israeli Companies Law does provide grounds for removing an external director from office). All other members of the Board are subject to annual re-election.</p>
<p><b>19</b> The chair should not remain in post beyond nine years from the date of their first appointment to the board.</p>	<p>As of June 2023, Dr. Gideon Chitayat, Chairman, has served on the Board for 13 years - nine of these as Chairman. Dr. Chitayat was appointed to the Board as Independent Non-executive Director and the Board continues to consider him as independent in character and judgement. His knowledge of the business and the understanding of its various components, which is built on his experience, combined with his independence of mind, enables a critical review of strategy and operations. In addition, his vast business experience, expertise and knowledge of directing large business organisations within Israel is a valuable resource for the Board and the Company as a whole. As a result, the Board believes that Dr. Chitayat remaining as Chairman is in the best of interests of the Company and of shareholders.</p>
<p><b>21</b> A regular externally facilitated board evaluation.</p>	<p>Externally facilitated Board evaluation is not common practice in the Israeli corporate business environment. The Company performed an internal Board evaluation.</p>



# Audit Committee Report

---

## Dear Shareholder,

I am pleased to present the Audit Committee report for 2023. I trust that this report will provide you with an insight into our work, the matters handled and the focus of the Audit Committee's deliberations during the year.

## MEMBERSHIP AND ATTENDANCE

The members of the Audit Committee are:

- Harel Locker (Chairman), Senior Independent (Non-executive) Director ("external director" as this term is defined in Israeli Companies Law)
- Prof. Varda Shalev, Non-executive Director ("external director")
- Dr. Avigdor Shafferman, Non-executive Director ("independent director" as this term is defined in Israeli Companies Law)

The Audit Committee members are independent Non-executive Directors of the Company, with diverse skills and financial and/or related business experience gained in senior positions in a range of organisations relevant to the sectors in which BATM operates. The Board is satisfied that I, as Chairman, have recent and relevant financial experience, including having been Chairman of the Audit Committee from joining the Board in 2016 until 22 December 2020 (and, thereafter, remained a member until resuming the role of Chairman on 28 November 2021).

The Audit Committee meets at least twice a year, and always prior to the announcement of interim or annual results. The external auditors and internal auditor are invited to attend all meetings. The Audit Committee met with the external auditor and internal auditor during the year without executive officers present. The Audit Committee also meets with the Company's external auditors at least twice per year (with executive officers present) and raises any issues it has with the review and/or audit carried out by the external auditors and comments on specific issues it believes the auditors should be focusing on when required.

The Company Secretary is secretary to the Audit Committee.

The Chairman and/or Executive Directors attend parts of certain meetings of the Audit and Remuneration Committees at the request of the Committee or when the Committee Chair decides that they are required for the presentation of certain subjects.

During the year, there were seven meetings of the Audit Committee, which were attended by all applicable members except the absence of Harel Locker for two meetings (with Dr. Shafferman and Prof. Shalev chairing one meeting respectively).

## GOVERNANCE AND COMPLIANCE

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

## RESPONSIBILITIES AND ACTIVITIES

The Audit Committee's responsibility is to, among other things, ensure that the financial information published by the Group properly presents its activities to stakeholders in a way that is fair, balanced and understandable; monitor the scope and results of the external and internal audit; review whistleblowing procedures; consider compliance with legal requirements, accounting standards and the Listing Rules of the FCA; and advise the Board on the requirement to maintain an effective system of internal controls. The Committee also keeps under review the independence and objectivity of the Group's external auditors, value for money of the audit and the nature, extent and cost-effectiveness of the non-audit services provided by the auditors. Pursuant to section 117 (6) of the Israeli Companies Law, the Audit Committee is responsible to fix procedures and policy for whistleblowing and to oversee these procedures.

## Audit Committee Report *CONTINUED*

In 2023, the Audit Committee's activities included:

- Examining the Annual Report for the year to 31 December 2022 and the Half-year Report for the six months to 30 June 2023 and discussing them with management and the external auditor to assess whether the reports, taken as a whole, were fair, balanced and understandable prior to recommending these to the Board for approval.
- Reviewing and challenging areas of significant risk and judgement and the level of disclosure.
- Challenging the assumptions and analysis produced by management in relation to the Company's going concern basis of preparation, the long-term viability statement and associated risk assumptions, the accounting policies and disclosures, the financial reporting issues and the assumptions and adjustments made.
- Reviewing and approving the financial results for the first and third quarters of 2023.
- Reviewing the findings of the internal audit work and the follow-ups of reviews done in the previous year and considering the internal audit work plan for the following year.
- Reviewing the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements.

### INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

During 2023, the Company continued to follow the processes for identifying, evaluating and managing the significant risks faced by the Group in accordance with its Risk and Opportunity Management Framework that was formalised in the previous year, and as described in the Risk Management section on page 27. Principal controls are ultimately managed by the Executive Directors, including alongside regular review by management and the Board of the operations and the financial statements of the Company. The Executive Directors, as part of the Board, have overall responsibility for ensuring that the Company maintains

adequate systems of internal control and for determining the nature and extent of principal risks. The Board confirms that it has carried out, during 2023, a robust assessment of such risks accordingly, including those that would impact the Company's business model, future performance, solvency or liquidity, and have considered how they are to be mitigated.

In accordance with the Israeli Companies Law, the Company retains the services of an independent qualified internal auditor. Each year, the Audit Committee reviews with the internal auditor potential risks and a proposed plan for their scope of work. Each year the Audit Committee usually selects at least two areas of the Company's operations on which it requests the internal auditor to focus and prepare an internal audit report with recommendations. Following the completion of each report, the internal auditor sends it to all the Directors and presents their findings to the Audit Committee. The Audit Committee then reports to the Board on any major findings together with the internal auditor's recommendations for improving controls and corporate responsibility and the Board instructs management to implement the recommendations. During the year under review, the internal auditor presented a report to the Audit Committee on costing in a subsidiary.

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

- Operating Controls: The identification and mitigation of major business risks on a daily basis is the responsibility of the Executive Directors and senior management. Each business function within the Group maintains controls and procedures, as directed by senior management, appropriate to its own business environment while conforming to the Company's standards and guidelines. These include procedures and guidelines to identify, evaluate the likelihood of and mitigate all types of risks on an ongoing basis.
- Information and Communication: The Group operating procedures include a comprehensive system for reporting financial and non-financial information to the Directors. Financial projections, including revenue and

profit forecasts, are typically reported on a monthly basis to senior management compared with corresponding results for previous periods. The central process for evaluating and managing non-financial risk is primarily through meetings of Executive Directors and/or Group Risk and Opportunity Manager with the business unit leaders.

- **Finance Management:** The finance department operates within procedures approved by the Directors and the Chief Financial Officer. Expenditures are tightly controlled with stringent approvals required based on amount. Duties such as legal, finance, sales and operations are also segregated to minimise risk.
- **Insurance:** Insurance coverage is provided externally and depends on the scale of the risk in question and the availability of coverage in the external market.

## EXTERNAL AUDITOR AND INDEPENDENCE

Brightman Almagor Zohar & Co., a Firm in the Deloitte Global Network, serves as the Group's auditor. The Audit Committee as well as the Directors review and assess on an annual basis, the performance of the external auditors, their independence and the reasonableness of their audit fees as compared with peer tier 1 accountancy offices in Israel, and make recommendations to be brought forward to the shareholders' meeting as to the appointment, or reappointment, or replacement of the external auditors of the Group. While the Audit Committee as part of its activity reviews and monitors the external auditor's independence and objectivity, there is no requirement under Israeli law and regulations to have maximum terms for auditors. Rotation of external auditors is not accepted practice in the Israeli market and the Company is not subject to EU audit regulations that relate to rotation of the external auditors. However, to facilitate auditor independence, based on the IESBA Code, the audit engagement partner must be rotated after no more than seven years of service in that role. The most recent audit partner rotation occurred in 2022. In addition, the Audit Committee has discussed with the external auditors their independence, and has received and reviewed written disclosures from the external auditors regarding independence.

## NON-AUDIT SERVICES

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

In order to safeguard the independence and objectivity of the external auditor, the Audit Committee reviews the nature and extent of the non-audit services supplied, and receives reports on the balance of audit to non-audit fees. For 2023, the external auditor provided \$33k of non-audit work (2022: \$63k). Fees paid to Brightman Almagor Zohar & Co., a Firm in the Deloitte Global Network, are set out in note 9 to the financial statements.

**Harel Locker**  
**Audit Committee Chairman**  
**2 April 2024**

# Directors' Remuneration Report

## REMUNERATION COMMITTEE REPORT

### Dear Shareholder

The Board is pleased to present the Remuneration Committee's Report for the year ended 31 December 2023.

The main purpose of the Remuneration Committee is to design appropriate remuneration packages to attract, retain and motivate senior executives and managers of the experience and expertise required to run the Company successfully. The Remuneration Committee reviews and considers the remuneration of, amongst others, the CEO, CFO, executive and non-executive directors and senior management.

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

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

## INTRODUCTION

The Directors' Remuneration Report sets out BATM's executive remuneration policy and details Directors' remuneration and benefits for the financial year under review. The Company is incorporated in Israel, and the Company's current Remuneration Policy and Guidelines (the "Policy") came into effect after its approval by a majority vote of shareholders, as prescribed in section 267A (b) of the Israeli Companies Law, 1999 ("Companies Law"), at the Annual General Meeting ("AGM") held in December 2021. The

Policy has been effective from the start of the 2022 financial year and is intended to operate for a period of three years.

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

## THE REMUNERATION COMMITTEE'S RESPONSIBILITIES

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

The Committee's responsibilities and duties are:

- (1) Recommending for approval to the Board the framework or broad policy for the remuneration of the Company's Chairman of the Board, Chief Executive Officer, Executive Directors, Non-executive Directors and other senior management and Office Holders (as defined in the Israeli Companies Law) ("Remuneration Policy");
- (2) Recommending appropriate remuneration packages and service contracts of the Executive Directors and Officers, reviewing the ongoing appropriateness and relevance of the Remuneration Policy, recommending to the Board updates of the Policy, and monitoring its application;
- (3) Determining whether to approve remuneration of Office Holders;
- (4) Exempting the remuneration of a candidate for the role of Chief Executive Officer from the approval of the general meeting, if the remuneration is according to the Remuneration Policy, the candidate is not related to a controlling shareholder (and if there is no controlling shareholder - to a substantial shareholder, the chairman of the Board, the Chief Executive Officer or the Chief Financial Officer), and the Committee found that bringing the remuneration for the approval of the general meeting will result in failure of the attempted recruitment of the CEO candidate;

- (5) Recommending and determining the goals for all performance-related remuneration offered by the Company and approving the total annual payments made under such schemes;
- (6) Reviewing the design of all long-term incentive schemes, such as options and equity awards, and recommending these for approval by the Board and, if and when required by law, by the shareholders; and
- (7) Reviewing the CEO's compensation policies for Office Holders.

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

## KEY ACTIVITIES DURING THE YEAR

There were seven meetings of the Committee during the year to 31 December 2023. The Committee undertook the following activities in this period:

- Approving the remuneration package for the new CFO
- Approving and granting long-term incentive awards to directors and employees
- Determining the outcome of the 2022 annual bonus
- Setting the targets and measures for the 2023 annual bonus
- Approving grant of exemption and indemnification to Office Holders (as exemption and indemnification are considered remuneration under Israeli Companies Law)
- Approving updates to the remuneration of Office Holders

## BUSINESS PERFORMANCE AND 2023 INCENTIVE OUTCOMES

As discussed further in the Strategic Report, the Group delivered a strong performance for the twelve months to 31 December 2023. Against a challenging macroeconomic backdrop, we delivered growth in revenue and adjusted EBITDA – including more than offsetting the loss of sales relating to COVID-19 as the global pandemic subsided. There was a substantial increase in cash generated from operating activities, resulting from the actions taken to improve cost management and collections, and we ended the year with a strong balance sheet. In addition, a significant amount of work was undertaken in conducting an in-depth strategic review that resulted in the establishment of a new strategy, which we began to implement in the second half of the year. However, we were not immune to the challenging macroeconomic conditions and, accordingly, the 12% growth in adjusted EBITDA was slightly lower than the target that had been set in the annual budget at the beginning of the year.

The 2023 bonus weightings were 75% of maximum bonus opportunity to be based on the Group achieving financial targets and 25% on non-measurable personal criteria. As further described in the Annual Remuneration Report below, the measurable and non-measurable criteria were substantially met and, as a result, the Executive Directors received a bonus pay-out for 2023 representing 88% of their maximum bonus opportunity.

## STAKEHOLDER VIEWS & ENGAGEMENT

At the AGM in 2023, we proposed one remuneration-related resolution, which passed with an approval rating of 99.6% (further detail is provided in the Annual Report on Remuneration section below). On behalf of the Committee, I thank shareholders for their support and look forward to receiving further support at this year's Annual General Meeting.

**Prof. Varda Shalev**  
Remuneration Committee Chair  
2 April 2024

## REMUNERATION POLICY

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

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

This section summarises the key elements of the Policy. The full Policy is available on the Company's website and was provided in full in the Company's annual report for the year ended 31 December 2021.

## Directors' Remuneration Report *CONTINUED*

### DIRECTORS' & OFFICERS' REMUNERATION POLICY TABLE

The table below sets out the main components of the Remuneration Policy for executive and non-executive directors and Officers (as that term is defined in section

1 of the Israeli Companies Law), together with further information on how these aspects of remuneration operate.

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

Base Salary	
<b>Purpose and link to strategy</b>	<p>To provide competitive fixed remuneration.</p> <p>To attract and retain Executive Directors and Officers of superior calibre in order to deliver long-term business success.</p> <p>Reflects individual experience, achievements, expertise, education, skills, role and responsibility.</p> <p>The Committee's aim is to position salaries around the mid-market level of companies of a similar size, scale and complexity.</p>
<b>Operation</b>	<p>Normally reviewed annually by the Committee with increases typically effective from 1 January.</p> <p>Increases take into account:</p> <ul style="list-style-type: none"> <li>● The executive's skills, experience, education, qualifications, achievements, expertise, role and responsibilities</li> <li>● Affordability</li> <li>● Pay increases for the workforce</li> <li>● Performance</li> <li>● External market trends</li> <li>● Internal differentials/relativities</li> <li>● The value of total remuneration</li> <li>● The Committee's judgement</li> </ul> <p>Significant adjustments are infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.</p> <p>Other factors which will be taken into account will include pay and conditions elsewhere in the Group, progression within the role, and competitive salary levels in UK premium-listed and Israeli publicly-listed companies of a broadly similar size and complexity.</p>

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

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



## Directors' Remuneration Report *CONTINUED*

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

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

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



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

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

## Directors' Remuneration Report *CONTINUED*

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

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

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

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

#### External Directors' Fees and Benefits

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

## Directors' Remuneration Report *CONTINUED*

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

### SELECTION OF PERFORMANCE MEASURES AND TARGETS

#### Annual bonus

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

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

#### Long-Term Incentive Plan

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

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant.

#### Measurable Targets

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

- Work plan targets
- Budget targets
- Accomplishment of specific projects

- Meeting pre-defined goals of -
  - Revenue
  - Profit
  - EBITDA
  - Operating profit
  - Cash from operating activities
  - Free cash flow
  - Share price
  - Earnings per share
  - Return on invested capital
  - Return on capital employed
  - Total shareholder return
  - Absolute total shareholder return
  - Relative total shareholder return
- the Committee also retains the ability, within the Policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards with, in the case of LTIP awards held by Executive Directors, adjusted performance conditions being not materially less difficult to satisfy than the original conditions would have been but for the relevant event(s)
- the ability to override formulaic outcomes in line with this Policy

## FLEXIBILITY, DISCRETION AND JUDGEMENT

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

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments
- determining the extent of vesting
- treatment of awards and/or payments on a change of control or restructuring of the Group
- whether an Executive Director or an Officer is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year

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

# Directors' Remuneration Report *CONTINUED*

## ANNUAL REPORT ON REMUNERATION

This section of the Directors' Remuneration Report provides details of the remuneration earned by the Directors in the year ended 31 December 2023 and how the Remuneration Policy will operate for the year ending 31 December 2024.

### REMUNERATION COMMITTEE

#### **Roles and responsibilities**

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

#### **Remuneration Committee members and meetings**

The Remuneration Committee consists of all the External and Independent Directors (as these terms are defined in the Israeli Companies Law). The members of the Remuneration Committee during the year under review were:

- Prof. Varda Shalev (Chair)
- Harel Locker
- Dr. Avigdor Shafferman

The Remuneration Committee receives advice from several sources, namely:

- The other Directors of the Board, who attend the Remuneration Committee meetings when specifically invited by the chairman of the Committee in order to provide relevant information to the Committee.
- As and when the Committee deems it necessary, the Committee is provided advice from independent consultants.

#### **Key activities during the year**

The Committee held seven meetings during the year to 31 December 2023.

As noted in the Remuneration Committee Report, the key activities undertaken during the year included approving the remuneration package for the new CFO; approving and granting long-term incentive awards to directors and employees; determining the outcome of the 2022 annual bonus; setting the targets for the 2023 annual bonus; approving grant of exemption and indemnification to Office Holders; and approving updates to the remuneration of Office Holders.

### Single total figure of remuneration

The tables below set out the single total remuneration figures for each director for 2023 and the prior year.

2023	Salary/Fees \$'000	Performance Bonus \$'000	Total Remuneration \$'000
<b>Executive Directors</b>			
Moti Nagar, CEO <sup>(1)</sup>	678	294	972
Ran Noy, CFO <sup>(2)</sup>	227	76	303
<b>Non-executive Directors</b>			
Gideon Chitayat <sup>(3)</sup>	100	-	100
Zvi Marom <sup>(4)</sup>	316	-	316
Harel Locker	43	-	43
Varda Shalev	46	-	46
Avigdor Shafferman	46	-	46

2022	Salary/Fees \$'000	Performance Bonus \$'000	Total Remuneration \$'000
<b>Executive Directors</b>			
Zvi Marom, CEO <sup>(4)</sup>	573	- <sup>(5)</sup>	573
Moti Nagar, CFO <sup>(1)</sup>	307	- <sup>(5)</sup>	307
<b>Non-executive Directors</b>			
Gideon Chitayat	56	-	56
Harel Locker	52	-	52
Varda Shalev	54	-	54
Avigdor Shafferman <sup>(6)</sup>	38	-	38

1. Moti Nagar became CEO on 1 January 2023 and was CFO during 2022. His salary includes social and pension benefits as required by Israeli law for all employees. His remuneration as CEO was approved by shareholders at the Company's AGM held on 21 December 2022 ("AGM 2022").
2. Ran Noy was appointed CFO on 1 February 2023, having previously been VP Finance of BATM since 2021, and became an Executive Director on 13 July 2023. The above figures represent his remuneration for the 12-month period. His salary includes social and pension benefits as required by Israeli law for all employees.
3. Dr. Gideon Chitayat's annual service fee of \$100k was approved by shareholders at the AGM 2022.
4. Dr. Zvi Marom's tenure as CEO finished on 31 December 2022, when he became a Non-executive Director. As CEO, Dr. Marom received payment via a Service Agreement, which included a basic annual salary and associated social and pension benefits and pursuant to which he was entitled to certain rights with regard to the end of the agreement. Accordingly, from 1 January 2023 until 30 June 2023, Dr. Marom received payment according to the rights regarding the end of the agreement. From 1 July 2023, he received remuneration equal to the remuneration paid by the Company to expert External Directors, as prescribed in the Israeli Compensation Regulations as well as \$40 thousand per annum pursuant to a consulting agreement for consultation on issues regarding which Dr. Marom has unique knowledge and expertise, as approved by shareholders at the AGM 2022.
5. Dr. Marom and Mr. Nagar proposed to waive their right to additional variable remuneration for 2022, which was accepted by the Remuneration Committee.
6. Avigdor Shafferman was appointed to the Board on 12 April 2022.

As at 31 December 2023, the total liability for payment related to wages for the Executive Directors was \$60 thousand (31 December 2022: \$64 thousand), which was paid in January 2024 (2022 liability was paid in January 2023).

### Non-executive Directors

In determining the remuneration to its "external directors" and "independent directors" (as defined under Israeli law), which during 2023 included Harel Locker, Prof. Varda Shalev and Dr. Avigdor Shafferman, the Group was required to comply with Israeli law that formulates the kind and amounts of remuneration and expenses that an Israeli public company may pay its external and independent directors. The applicable Israeli statute is the Israeli Companies Regulations (Rules Regarding Compensation and Expense Reimbursement of External Directors) 2000 (the "Compensation Regulations"), which prescribes the level of remuneration that a publicly listed company may pay its external directors, and section 249C of the Israeli Companies Law, which states that the rules regarding remuneration of external directors will apply also for independent directors.

Cash remuneration payable to these directors is comprised of two fees: (i) an annual fixed fee; and (ii) a per-meeting participation fee. The figures set forth in the Compensation Regulations for these elements are based on the size of the company calculated by the equity of the relevant listed company as recorded in its last audited financial statements. In compliance with the Compensation Regulations, the Company does not pay any additional amounts to the external directors. The Compensation Regulations do not apply to the Chairman or Dr. Zvi Marom who are not external or independent directors in terms of Israeli law. The remuneration of the Chairman and Dr. Marom is set out below.

## Directors' Remuneration Report *CONTINUED*

### 2023 annual bonus outcome

The maximum annual bonus opportunity for Mr. Moti Nagar, CEO, and Mr. Ran Noy, CFO, for 2023 was 67% and 50% of annual base salary, respectively. The annual bonus is based on a mix of quantitative financial criteria (75% of maximum bonus opportunity) and qualitative personal and operational criteria (25% of maximum bonus opportunity) as described below.

#### **Moti Nagar, CEO**

As approved by shareholders at the AGM 2022, Mr. Nagar's maximum bonus opportunity is 67% of annual base salary – comprising 50% subject to the achievement of measurable targets and 17% of annual base salary subject to the achievement of non-measurable targets. The measurable targets that the Board considers relevant to annual bonus are EBITDA and/or revenue.

For 2023, Mr. Nagar received an annual bonus of \$294k, amounting to 59% of his annual base salary, representing 88% of his maximum bonus opportunity and reflecting substantial achievement of the measurable and non-measurable criteria.

#### **Ran Noy, CFO**

As approved by the Board, Mr. Noy's maximum bonus opportunity is 50% of annual base salary – comprising 37.5% subject to the achievement of measurable targets and 12.5% of annual base salary subject to the achievement of non-measurable targets. The measurable targets that the Board considers relevant to annual bonus are EBITDA and/or revenue.

For 2023, Mr. Noy received an annual bonus of \$76k, amounting to 44% of his annual base salary, representing 88% of his maximum bonus opportunity and reflecting substantial achievement of the measurable and non-measurable criteria.

### Long-term incentive awards granted in 2023

On 1 January 2023 (the "Grant Date"), options over Ordinary Shares were granted, as approved by shareholders at the AGM 2022, to certain Directors as follows:

Name	Role	Number of options granted	Options exercise price	Period and conditions of vesting	Expiry
Gideon Chitayat*	Chairman	1,229,369	25.49 pence	The options fully vest on the first anniversary of the Grant Date.	01/01/33
Moti Nagar	CEO	16,433,937	25.49 pence	One-third of the options will vest on each of the first, second and third anniversaries of the Grant Date.	01/01/33

\* Dr. Chitayat's options were granted to GMBS General Management & Business Strategy Consultants Ltd., a service company through which Dr. Chitayat provides his services to the Company

The options were granted under the BATM Advanced Communications Ltd. Global Share Incentive Plan (2021). The exercise price represents the average closing price of the Company's Ordinary Shares on the London Stock Exchange over the 30 trading days preceding the Grant Date.

No other long-term incentive awards were granted to directors during 2023.



## Share interests

	Shares owned outright (31/12/23)	Shares owned outright (31/12/22)	Awards unvested and subject to performance conditions as at 31/12/23	Options unvested and not subject to performance conditions as at 31/12/23	Options vested but not exercised as at 31/12/23	Shareholding as a percentage of salary/service fee*
<b>Executive Directors</b>						
Moti Nagar	-	-	537,109	16,433,937	906,200	0%
Ran Noy	-	-	481,288	-	-	0%
<b>Non-executive Directors</b>						
Gideon Chitayat	3,159,000	3,159,000	-	1,229,369	-	815%
Zvi Marom	96,794,500	96,794,500	-	-	4,000,000	7,903%
Harel Locker	-	-	-	-	-	0%
Varda Shalev	-	-	-	-	-	0%
Avigdor Shafferman	-	-	-	-	-	0%

\* According to the share price on the LSE on 31 December 2023 of £0.2025 and the currency rate on 31 December 2023 of £0.7849 per \$1.00

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

## Ratio of CEO pay to average full-time employee

The ratio of CEO base pay to average full-time employee base pay during 2023 was 7:1 (2022: 6:1) for employees of Israeli companies in the Group and 23:1 (2022: 21:1) for the whole Group. The details of CEO pay can be found on page 54. Average full-time employee pay (excluding share-based payments) for the whole Group, including employees being paid under service contracts, in 2023 was \$29.1k (2022: \$27.6k). (Note 11 to the financial statements – 'Staff costs' – does not include employees paid under service contract: this payment is reflected within general & administrative, research & development and sales & marketing expenses and cost of goods).

## Relative importance of spend on pay

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

	2023 (\$m)	2022 (\$m)	% change
Employee remuneration costs*	27.2	25.4	7%
Distribution to shareholders	-	5.6**	(100)%
Profit (EBITDA*)	9.3	8.3	12%

\* Excluding share-based payments.

\*\* Includes a dividend payment of \$4.3m that was declared for 2021 and paid to shareholders on 5 January 2022 and a share buy-back totalling \$1.3m.

## Directors' Remuneration Report *CONTINUED*

### Percentage change in directors' remuneration

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

	Salary/Fee				Benefits				Annual Bonus			
	2023	2022	2021	2020	2023	2022	2021	2020	2023	2022	2021	2020
<b>Executive Directors</b>												
Moti Nagar	150% <sup>(1)</sup>	0%	0%	0%	106% <sup>(1)</sup>	0%	0%	0%	- <sup>(2)</sup>	(100)% <sup>(2)</sup>	0%	24%
Ran Noy <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-executive Directors<sup>(4)</sup></b>												
Gideon Chitayat	85% <sup>(5)</sup>	0%	0%	0%	-	-	-	-	-	-	-	-
Zvi Marom	(45)% <sup>(6)</sup>	0%	0%	0%	-(6)	0%	0%	0%	-(6)	(100)% <sup>(2)</sup>	0%	173%
Harel Locker	(9)%	(7)%	4%	0%	-	-	-	-	-	-	-	-
Varda Shalev	(7)%	(10)%	(4)%	9%	-	-	-	-	-	-	-	-
Avigdor Shafferman	34% <sup>(7)</sup>	-	-	-	-	-	-	-	-	-	-	-

1. Moti Nagar became CEO on 1 January 2023, having previously been CFO since 2015. His remuneration as CEO was as approved by shareholders at the AGM 2022.
2. Moti Nagar and Dr. Zvi Marom waived their bonus payments for 2022.
3. Ran Noy was appointed CFO on 1 February 2023 and became an Executive Director on 13 July 2023.
4. The number of meetings attended by each director may change from one year to another.
5. Dr. Gideon Chitayat's fee was increased from 1 January 2023 as approved by shareholders at the AGM 2022.
6. Dr. Zvi Marom's tenure as CEO finished on 31 December 2022, when he became a Non-executive Director.
7. Avigdor Shafferman was appointed to the Board on 12 April 2022.

### Payments for loss of office and/or payments to former directors

Dr. Zvi Marom's tenure as CEO finished on 31 December 2022, when he became a Non-executive Director. From 1 January 2023 to 30 June 2023, Dr. Marom received payment according to the rights regarding the end of his Service Agreement. From 1 July 2023, he received remuneration equal to the remuneration paid by the Company to expert External Directors, as prescribed in the Israeli Compensation Regulations, as well as \$40 thousand per annum pursuant to a consulting agreement, as approved by shareholders at the AGM 2022.

No payments were made to former directors during the year.

### Statement of shareholding voting

At the AGM that took place on 13 July 2023, there was one remuneration-related resolution:

Resolution	Votes for (including discretionary*)	% for**	Votes against (excluding withheld)	% against**	Total (excluding withheld and third-party discretionary*)	Withheld
Approval of the report of the Remuneration Committee	281,854,737	99.58	1,188,022	0.42	283,042,759	3,704,339

\* There were no discretionary votes cast.

\*\* Excludes withheld votes.

## Implementation of Policy for FY24

<b>Component of Pay</b>	<b>Implementation for FY24</b>
<b>Base salaries</b>	CEO: NIS 1,800,000 CFO: NIS 624,000
<b>Benefits and pension</b>	In line with the Directors' Remuneration Policy and past practice, the Company contributes towards pension in line with mandatory requirements in Israel. No changes to benefit provisions.
<b>Annual bonus</b>	The CEO's and CFO's bonus opportunity will be 67% and 50% of base salary respectively. The 2024 bonus will be subject to Group revenue and/or EBITDA. The targets are currently commercially sensitive and will be reported in next year's annual report.
<b>LTIP</b>	None
<b>NED fees</b>	The Chairman and NED* fees for FY24 are as follows: <ul style="list-style-type: none"> <li>• Chairman fee: \$100,000</li> <li>• Non-executive Director and External Director base fee: NIS 123,155** (\$33,955***)</li> <li>• Non-executive Director and External Director per-meeting fee: NIS 4,735** (\$1,305***)</li> </ul>

\* In addition to the NED fees described herein, Dr. Marom will receive \$40,000 pursuant to his consulting agreement with the Company, as approved by shareholders at the AGM 2022.

\*\* Linked to the consumer price index in Israel.

\*\*\* According to the 31 December 2023 currency rate of 3.627 NIS per 1 USD.

On behalf of the Board.

**Prof. Varda Shalev**  
Chair of the Remuneration Committee  
2 April 2024

# Directors' Report

---

## PRINCIPAL ACTIVITIES

BATM develops, produces, markets and distributes products, with a focus on real-time technologies and associated services, in three core application areas: Networking, Cyber and Diagnostics. Networking comprises data communication products, namely high-performance connectivity solutions for the network edge, including the innovative Edgility open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network, and a broad portfolio of carrier grade switching and routing hardware and software products. Cyber includes integrated hardware and software solutions for network encryption. Diagnostics includes the sale and distribution of in vitro medical diagnostic reagents and instruments, including the development and production of proprietary products. In addition, the Group's non-core activities comprise the production and supply of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications, the distribution of third-party pharmaceutical and environmental monitoring products, and the administering of diagnostic tests. BATM has offices in the United States, Israel and Europe.

## FINANCIAL PERFORMANCE

The financial performance of the Group for the year ended 31 December 2023 is detailed in the Chief Financial Officer's Review on pages 15 to 17 and in the consolidated financial statements and notes to the consolidated financial statements on pages 67 to 110, which are incorporated in this Directors' Report by reference.

## RETURNS TO SHAREHOLDERS

While recognising the importance of returns to shareholders, the Board believes it is in the best interests of the Company and of shareholders as a whole not to declare a dividend for 2023 in order to maximise the resources available to the Group to execute on its new growth strategy. In particular, and as previously stated, the Group may add capability to its core businesses through M&A. The Board continues to keep its dividend policy under constant review and to assess all options for generating returns for shareholders.

## BUSINESS AND STRATEGIC REVIEW

The review of the Group's business operations, including its strategy, key performance indicators and principal risks and uncertainties, are set out in the Strategic Report section on pages 3 to 29 and are incorporated in this Directors' Report by reference.

## DIRECTORS

The Directors who served for the year ended 31 December 2023 and are currently serving (unless otherwise stated) are as follows:

- Dr. Gideon Chitayat, Non-executive Chairman
- Moti Nagar, CPA, Executive Director and Chief Executive Officer
- Ran Noy, CPA, Executive Director and Chief Financial Officer\*
- Dr. Zvi Marom, Founder and Non-executive Director
- Harel Locker, Non-executive External Director and Senior Independent Director ("SID")
- Prof. Varda Shalev, Non-executive External Director
- Dr. Avigdor Shafferman, Non-executive Director

\* Ran Noy was appointed Chief Financial Officer on 1 February 2023 and became an Executive Director on 13 July 2023.

## CORPORATE GOVERNANCE STATEMENT

The information that fulfils the requirement of the corporate governance statement in accordance with Rule 7.2 of the Financial Conduct Authority's Disclosure and Transparency Rules can be found in this Directors' Report and in the Corporate Governance information on pages 34 to 40, which is incorporated in this Directors' Report by reference.

## DIRECTORS' REMUNERATION AND INTERESTS

The Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 44 to 59.

## RULES ABOUT APPOINTMENT AND REPLACEMENT OF DIRECTORS

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

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

The CEO, Mr. Moti Nagar, the Chairman of the Board, Dr. Gideon Chitayat, and Non-executive Directors Dr. Zvi Marom

and Dr. Avigdor Shafferman were re-elected and the CFO, Ran Noy, was elected at the Annual General Meeting of 13 July 2023 until the following AGM. Their biographies appear on pages 30 to 33 above.

## AMENDMENT OF ARTICLES

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

## GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash for the foreseeable future. Accordingly, the Company continues to prepare its financial statements according to the going concern basis.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria

## Directors' Report *CONTINUED*

---

for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a true and fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

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

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

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

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

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

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

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

The Directors' Report has been brought for review to the Board and has been approved in its present form.

The Directors' Report is signed on behalf of the Board by:

**Dr. Gideon Chitayat**  
Chairman  
2 April 2024



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

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

### Opinion

We have audited the consolidated financial statements of BATM Advanced Communications Ltd. and its subsidiaries ("the Group") set out on pages 67 to 110, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

### Tel Aviv - Main Office

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

**Jerusalem**  
3 Kiryat Ha'Mada  
Har Hotzvim Tower  
Jerusalem, 914510

Tel: +972 (2) 501 8888  
Fax: +972 (2) 537 4173  
info-jer@deloitte.co.il

**Haifa**  
5 Ma'aleh Hashichrur  
P.O.B. 5648  
Haifa, 3105502

Tel: +972 (4) 860 7333  
Fax: +972 (4) 867 2528  
info-haifa@deloitte.co.il

**Eilat**  
The City Center  
P.O.B. 583  
Eilat, 8810402

Tel: +972 (8) 637 5676  
Fax: +972 (8) 637 1628  
info-eilat@deloitte.co.il

**Nazareth**  
9 Marj Ibn Amer St.  
Nazareth, 16100

Tel: +972 (73) 399 4455  
Fax: +972 (73) 399 4455  
info-nazareth@deloitte.co.il

**Beit Shemesh**  
Yigal Alon 1 St.  
Beit Shemesh, 9906201

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of goodwill and other intangible assets</b></p> <p>As detailed in Notes 23 and 24, as at 31 December 2023, the Group had goodwill and other intangible assets of \$20,782 thousand.</p> <p>Management conducted their annual impairment test to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, the value in use is determined and compared to the net book value of cash-generating unit to which the goodwill is allocated and other intangible assets.</p> <p>This determination of an impairment is highly subjective as significant judgement is required by the management in determining the cash-generating units and the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of valuation and business assumptions, most importantly the discount rate and growth rate.</p>	<p>We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the management and the directors. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▪ Considering whether there are indicators of impairment with respect to other intangible assets.</li> <li>▪ Evaluating whether the model used to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36: Impairment of Assets.</li> <li>▪ Using our internal valuation specialists when applicable to assess the appropriateness of management's estimations applied in the discount rates used in the value in use calculations.</li> <li>▪ Challenging management's assumptions applied and inputs in the respective models by comparing it to historical information, market research when available, contractual arrangements and approved budgets, search for available contradictory information.</li> <li>▪ Performing stress analysis on key estimates.</li> <li>▪ Performing discussions, when applicable, with key management about new significant clients and markets penetration, new significant contracts and bids, certification status of new products.</li> </ul> <p><b>Findings</b></p> <p>We found the models and assumptions applied in the goodwill impairment assessments to be appropriate. We considered the disclosure of the goodwill and other intangible assets to be appropriate for purposes of the consolidated financial statements.</p>

## Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

required to report that fact. We have nothing to report in this regard.

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

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

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





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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



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

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

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

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

**2 April 2024**

# Consolidated Statements of Profit or Loss

for the year ended 31 December

	Note	2023 US\$'000	2022 US\$'000
<b>Revenues</b>	5, 6	122,830	116,123
Cost of revenues	7	82,940	78,165
<b>Gross profit</b>		39,890	37,958
<b>Operating expenses</b>			
Sales and marketing expenses	8	19,130	17,209
General and administrative expenses	9	15,127	13,018
Research and development expenses	10	5,081	7,025
Other operating income	12	(1,096)	(2,428)
<b>Total operating expenses</b>		<b>38,242</b>	<b>34,824</b>
<b>Operating profit</b>		<b>1,648</b>	<b>3,134</b>
Finance income	13	1,329	772
Finance expenses	14	(1,516)	(2,011)
<b>Profit before tax</b>		1,461	1,895
Income tax expenses	15	(839)	(339)
<b>Profit for the year before share of loss of a joint venture and associated companies</b>		<b>622</b>	<b>1,556</b>
Share of loss of a joint venture and associated companies	26	(822)	(686)
<b>Profit (loss) for the year</b>		<b>(200)</b>	<b>870</b>
<b>Attributable to:</b>			
Owners of the Company		(193)	244
Non-controlling interests		(7)	626
Profit (Loss) for the year		(200)	870
<b>Earnings (loss) per share (in cents) basic</b>	16	<b>(0.04)</b>	<b>0.06</b>
<b>Earnings (loss) per share (in cents) diluted</b>	16	<b>(0.04)</b>	<b>0.06</b>

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

# Consolidated Statements of Comprehensive Income

for the year ended 31 December

	2023 US\$'000	2022 US\$'000
Profit (loss) for the year	(200)	870
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	3,112	(5,810)
	3,112	(5,810)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Re-measurement of defined benefit obligation	5	65
	5	65
Total other comprehensive income (loss) for the year	<b>3,117</b>	<b>(5,745)</b>
Total comprehensive income (loss) for the year	<b>2,917</b>	<b>(4,875)</b>
<b>Attributable to:</b>		
Owners of the Company	2,759	(5,727)
Non-controlling interests	158	852
	<b>2,917</b>	<b>(4,875)</b>

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

# Consolidated Statements of Financial Position

for the year ended 31 December

	Note	2023 US\$'000	2022 US\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		32,339	35,156
Trade and other receivables	18	31,219	36,495
Short-term investment in deposits and other securities	17	8,425	9,011
Inventories	19	38,227	34,461
		<u>110,210</u>	<u>115,123</u>
<b>Non-current assets</b>			
Property, plant and equipment	20	16,051	15,309
Investment property	21	612	620
Right-of-use assets	22	4,351	5,461
Goodwill	23	12,763	12,583
Other intangible assets	24	8,019	5,948
Investment in joint venture and associate	26	17,894	15,555
Investments carried at fair value		1,220	1,220
Deferred tax assets	27	3,507	3,362
		<u>64,417</u>	<u>60,058</u>
<b>Total assets</b>		<b><u>174,627</u></b>	<b><u>175,181</u></b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Short-term bank credit	28	3,276	2,235
Trade and other payables	28	41,662	46,256
Current maturities of lease liabilities	28	1,830	1,984
Tax liabilities		359	818
		<u>47,127</u>	<u>51,293</u>
<b>Non-concurrent liabilities</b>			
Long-term bank credit	28	1,328	2,000
Long-term liabilities	28	3,449	3,472
Long-term lease liabilities	28	2,650	3,758
Deferred tax liabilities	27	39	120
Retirement benefit obligation	35	598	537
		<u>8,064</u>	<u>9,887</u>
<b>Total liabilities</b>		<b><u>55,191</u></b>	<b><u>61,180</u></b>
<b>Equity</b>			
Share capital	29	1,320	1,320
Share premium account		428,656	426,138
Reserves		(29,865)	(32,812)
Accumulated deficit		(279,767)	(279,579)
		<u>120,344</u>	<u>115,067</u>
<b>Equity attributable to the:</b>			
Owners of the Company		120,344	115,067
Non-controlling interests		(908)	(1,066)
		<u>119,436</u>	<u>114,001</u>
<b>Total equity</b>		<b><u>119,436</u></b>	<b><u>114,001</u></b>
<b>Total equity and liabilities</b>		<b><u>174,627</u></b>	<b><u>175,181</u></b>

The financial statements were approved by the board of directors and authorised on 2 April 2024. They were signed on its behalf by:

**M. Nagar, CEO**

**R. Noy, CFO**

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

# Consolidated Statements of Changes in Equity

for the years ended 31 December 2023 and 2022

	Share Capital	Share Premium Account	Translation Reserve	Other Reserve	Accumulated Deficit	Attributable to Owners of the Company	Non-Controlling Interests	Total Equity
US\$ in thousands								
<b>Balance as at 1 January 2022</b>	<b>1,320</b>	<b>425,840</b>	<b>(19,337)</b>	<b>(512)</b>	<b>(279,888)</b>	<b>127,423</b>	<b>(3,289)</b>	<b>124,134</b>
Profit for the year	-	-	-	-	244	244	626	870
Re-measurement of defined benefit obligation	-	-	-	-	65	65	-	65
Exchange differences on translating foreign operations	-	-	(6,036)	-	-	(6,036)	226	(5,810)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>(6,036)</b>	<b>-</b>	<b>309</b>	<b>(5,727)</b>	<b>852</b>	<b>(4,875)</b>
Dividend paid to non-controlling interest	-	-	-	-	-	-	(681)	(681)
Share buy-back	-	-	-	(1,325)	-	(1,325)	-	(1,325)
Share-based payments	-	298	-	-	-	298	-	298
Transaction with non-controlling interests	-	-	(666)	(4,936)	-	(5,602)	2,052	(3,550)
<b>Balance as at 1 January 2023</b>	<b>1,320</b>	<b>426,138</b>	<b>(26,039)</b>	<b>(6,773)</b>	<b>(279,579)</b>	<b>115,067</b>	<b>(1,066)</b>	<b>114,001</b>
Loss for the year	-	-	-	-	(193)	(193)	(7)	(200)
Re-measurement of defined benefit obligation	-	-	-	-	5	5	-	5
Exchange differences on translating foreign operations	-	-	2,947	-	-	2,947	165	3,112
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>2,947</b>	<b>-</b>	<b>(188)</b>	<b>2,759</b>	<b>158</b>	<b>2,917</b>
Share-based payments	-	2,518	-	-	-	2,518	-	2,518
<b>Balance as at 31 December 2023</b>	<b>1,320</b>	<b>428,656</b>	<b>(23,092)</b>	<b>(6,773)</b>	<b>(279,767)</b>	<b>120,344</b>	<b>(908)</b>	<b>119,436</b>

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

# Consolidated Statements of Cash Flow

for the year ended 31 December

	Note	2023 US\$'000	2022 US\$'000
<b>Net cash from (used in) operating activities</b>	31	<b>5,009</b>	<b>(2,784)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(2,404)	(2,414)
Increase of other intangible assets		(2,782)	(2,054)
Investment in joint venture and associated companies		(2,060)	(4,386)
Proceeds on disposal of property, plant and equipment		228	4,514
Investment in subsidiary		-	(550)
Tax payment related to disposal of a subsidiary		-	(4,953)
Proceeds on disposal of deposits and securities		2,777	4,941
Purchases of deposits and securities		(1,879)	(11,733)
Other		-	293
<b>Net cash used in investing activities</b>		<b>(6,120)</b>	<b>(16,342)</b>
<b>Financing activities</b>			
Lease payment	22	(2,162)	(2,192)
Bank loan repayment	28	(7,498)	(11,017)
Bank loan received	28	7,500	12,465
Dividend paid		-	(4,300)
Dividend paid to non-controlling interests		-	(681)
Share buy-back	30	-	(1,325)
<b>Net cash used in financing activities</b>		<b>(2,160)</b>	<b>(7,050)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,271)</b>	<b>(26,176)</b>
Cash and cash equivalents at the beginning of the year		35,156	65,331
Effects of exchange rate changes on the balance of cash held in foreign currencies		454	(3,999)
<b>Cash and cash equivalents at the end of the year</b>		<b>32,339</b>	<b>35,156</b>

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

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

## 1. General Information

BATM Advanced Communications Ltd. ("the Company") is a company incorporated in Israel under the Israeli Companies Law. The address of the registered office is POB 7318, Nave Ne'eman Ind. Area 4, Ha'harash Street, 4524075 Hod Hasharon, Israel. The Company and its subsidiaries ("the Group") is engaged in the development, production and supply of real-time technologies and associated services in three core application areas: Networking, Cyber and Diagnostics. In addition, the Group's non-core activities comprise the production and supply of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications, and the distribution of third-party pharmaceutical and environmental monitoring products. BATM has offices in the United States, Israel and Europe.

## 2. New and revised International Financial Reporting Standards (IFRSs)

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

The amendments to IAS 1 published in January 2020 (2020 amendments) affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

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

In October 2022 the IASB published additional amendments (2022 amendments) that specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period.

The 2022 and 2020 amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted: the Company did not early adopt the amendments.

### Amendments to IAS 1 – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement.



## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023.

### 3 Significant Accounting Policies

#### Statement of compliance

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

#### Basis of preparation

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

#### *Israel-Hamas conflict*

The Group continues to monitor the ongoing conflict between the state of Israel and Hamas. This situation did not have a material impact on the Company's operations or on BATM's consolidated financial results.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

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

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

#### Investments in associates and joint ventures

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

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

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

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. The carrying value of the investment in associates and joint ventures considering the requirement of IAS 36 are presented in Note 26.

## Changes in the Group's ownership interests in existing subsidiaries

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

## Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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

## Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods (point in time) – networking products, network encryption products, medical diagnostics reagents and instruments, and pathogenic waste treatment and sterilisation products
- Rendering of services – Related mainly to software services such as training and technical support, laboratory service and maintenance related to products sold
- Construction contracts (over time)

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

### **Sale of goods**

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

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

### **Rendering of services**

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

### **Construction contracts**

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

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

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

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## Leases

### ***The Group as a lessee***

At inception of the contract, the Group assesses whether an arrangement is a lease or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for assets leased for a period of less than 12 months, and also to lease of assets with low economic value.

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

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

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

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

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

## Foreign currencies

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

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

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

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

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

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## Government grants

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

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

## Share-based payments arrangements

### **Share-based payment transactions of the Company**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 34.

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

## Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

### **Current tax**

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **Deferred tax**

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

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

## **Current and deferred tax for the year**

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

## **Property, plant and equipment**

Land and buildings held for use in the Company's operation are stated in the consolidated statements of financial position on a historical cost basis, being the historical cost at the date of acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Buildings	3%-6%
Plant and equipment	10%-33%
Motor vehicles	15%-25%
Furniture and fittings	6%-15%
Leasehold improvements	6%-20%

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

## **Research and development expenditure**

### ***Internally-generated intangible assets - research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

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

### Acquired intangible assets

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

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

Customer relationships and backlog	10%-12.5%
Technology	10%-20%
Other	10%

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

### Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

### Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on the "first-in-first-out" basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## Financial instruments

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

## Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances to recognise expected lifetime credit losses are recognised in profit or loss at the end of the reporting period. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **Financial assets at FVTPL**

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'other gains and losses', or financial income or expenses line item as appropriate. Fair value is determined in the manner described in note 37.

### **Impairment of financial assets**

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

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

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

## 4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

### Critical judgments in applying the Group's accounting policies

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

### Key sources of estimation uncertainty

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

### **Impairment of intangible assets and goodwill**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units (CGU) to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows of the CGU and a suitable discount rate in order to calculate present value.



# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## ***Judgments with respect to deferred tax assets***

For the purposes of measuring deferred tax assets arising from loss carry-forwards in different territories, management is required to use considerable judgment in estimation of the carried forward losses in which it expects to be able to utilise in the foreseeable future. For additional information in respect of deferred tax assets see note 15.

## ***Judgments with respect to construction contracts***

The Company accounts for its revenue in accordance with IFRS 15 revenue from contracts with customers, which requires estimates to be made for contract costs and revenues. Revenue is recognised using the percentage of completion method based on the ratio of contract costs incurred to total estimated contract costs or engineering completion percentage. Estimating total costs is subjective and requires the use of management's best judgments based on the information available at that time.

## ***Judgments with respect to recognition of internally generated intangible assets***

The company recognizes costs related to development of software in accordance with the conditions for recognizing internally generated intangible assets. Estimation of meeting the conditions specified for recognition of intangible assets requires the use of management's best judgments.

## **5 Revenues**

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time and services and construction contracts over time. An analysis of the Group's revenues is as follows:

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Sales of goods (point in time)	98,690	95,344
Services	14,662	13,191
Construction contracts (over time)	9,478	7,588
	<b>122,830</b>	<b>116,123</b>

## **6 Business and Geographical Segments**

### **Business segments**

Operational segments are identified on the basis of internal reports about the Group's components that are reviewed by the main operational decision maker of the Group ("CODM"), the CEO of the Company, for the purpose of allocating resources and evaluating the performance of the operational segments. Information reported to the CODM for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

During the year, following an in-depth process, the Group renewed its strategic vision. Accordingly, the CODM now receives reports based on the new strategy, which identifies the Group's core areas of activity, and which are prioritised for resource allocation, and secondary (non-core) activities.

The principal products and services of each of these segments are as follows: Networking – marketing, research and development of data communication products, which includes high-performance connectivity solutions for the network edge, including the innovative Edgility open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network, and a broad portfolio of carrier grade switching and routing hardware and software products. Cyber – provision of integrated hardware and software solutions for network

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

encryption, including hardware security modules (HSMs). Diagnostics – mainly engaged in sales and distribution of in vitro diagnostics reagents and instruments, including the development and production of proprietary products. Its proprietary products are focused on molecular diagnostics by test type and infectious disease by application area. Secondary – mainly the distribution of pharmaceutical and environmental monitoring products and diagnostic tests, and the production of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications.

The results for the year ended 31 December 2022 have been re-presented in accordance with the new segmentation listed above.

### A. Segment revenues and segment results

#### Year ended 31 December 2023

	Networking \$'000s	Cyber \$'000s	Diagnostics \$'000s	Secondary \$'000s	Total \$'000s
Revenues from external customers	19,800	10,346	33,342	59,342	122,830
Operating profit/(loss)	(224)	1,496	334	42	1,648
Net finance expenses					(187)
Profit before tax					1,461

#### Year ended 31 December 2022

	Networking \$'000s	Cyber \$'000s	Diagnostics \$'000s	Secondary \$'000s	Total \$'000s
Revenues from external customers	22,006	5,858	33,473	54,786	116,123
Operating profit/(loss)	(899)	366	1,587	2,080	3,134
Net finance expenses					(1,239)
Profit before tax					1,895

### B. Segment assets, liabilities and other information

#### As at 31 December 2023

	Networking \$'000s	Cyber \$'000s	Diagnostics \$'000s	Secondary \$'000s	Total \$'000s
Assets excluding cash & cash equivalents	27,063	5,476	58,396	42,928	133,863
Liabilities	8,863	5,926	21,350	19,052	55,191
Depreciation and amortisation	1,091	189	1,822	2,074	5,176
Additions to non-current assets	2,884	204	1,692	2,371	7,151

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### As at 31 December 2022

	Networking \$'000s	Cyber \$'000s	Diagnostics \$'000s	Secondary \$'000s	Total \$'000s
Assets excluding cash & cash equivalents	29,823	4,369	52,997	43,825	131,014
Liabilities	15,659	4,280	19,442	21,799	61,180
Depreciation and amortisation	1,117	187	1,686	1,901	4,891
Additions to non-current assets	2,773	77	1,179	3,072	7,101

### C. Revenue from major products and services

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

Year ended 31 December	2023 \$'000s	2022 \$'000s
Networking and cyber products	24,093	18,898
Software services	6,053	8,966
Diagnostic medical products and services	33,342	33,473
Secondary	59,342	54,786
	<b>122,830</b>	<b>116,123</b>

### D. Revenue from major sources

#### Year ended 31 December 2023

	Networking \$'000s	Cyber \$'000s	Diagnostics \$'000s	Secondary \$'000s	Total \$'000s
Sales of goods (point in time)	16,488	776	29,793	51,633	98,690
Services	3,312	92	3,549	7,709	14,662
Construction contracts (over time)	-	9,478	-	-	9,478
	<b>19,800</b>	<b>10,346</b>	<b>33,342</b>	<b>59,342</b>	<b>122,830</b>

#### Year ended 31 December 2022

	Networking \$'000s	Cyber \$'000s	Diagnostics \$'000s	Secondary \$'000s	Total \$'000s
Sales of goods (point in time)	18,872	-	30,342	46,130	95,344
Services	3,134	394	3,131	6,532	13,191
Construction contracts (over time)	-	5,464	-	2,124	7,588
	<b>22,006</b>	<b>5,858</b>	<b>33,473</b>	<b>54,786</b>	<b>116,123</b>

The cumulative revenue related to construction contracts, which has not been recognized yet, totals to \$24.2 million.

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### E. Geographical information

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

\$'000s	Revenue from external customers		Non-current assets	
	2023	2022	2023	2022
Area A	85,425	82,052	44,841	40,897
Area B	26,535	22,272	12,607	12,372
Area C	10,870	11,799	2,242	2,207
Total	<b>122,830</b>	<b>116,123</b>	<b>59,690</b>	<b>55,476</b>

### 7 Cost of revenues

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Direct costs – Components and subcontractors	78,767	74,665
Changes in inventory	(3,766)	(3,510)
Salaries and related benefits	3,978	3,220
Overheads and depreciation	3,063	2,388
Other expenses	898	1,402
	<b>82,940</b>	<b>78,165</b>

### 8 Sales and marketing expenses

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Salaries and related benefits	12,240	10,804
Commissions	1,017	977
Outside services	402	457
Advertising and sales promotion	1,250	826
Overheads and depreciation	2,678	2,457
Travelling and other expenses	1,543	1,688
	<b>19,130</b>	<b>17,209</b>

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 9 General and administrative expenses

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Salaries and related benefits	8,402	6,289
Professional services(*)	2,640	2,818
Overheads and depreciation	1,893	1,678
Other expenses	2,192	2,233
	<b>15,127</b>	<b>13,018</b>
(*) Including auditors' remuneration for audit services	<b>343</b>	<b>353</b>

Amounts payable to the auditors by the Group undertakings in respect of non-audit services in 2023 were \$33 thousand (2022: \$63 thousand). In addition, payables in respect of non-audit services to other than the Company's auditors, for tax and internal audit services in 2023, were \$70 thousand and \$56 thousand, respectively (2022: \$24 thousand and \$13 thousand, respectively).

### 10 Research and development expenses

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Salaries and related benefits	3,296	4,284
Components and subcontractors	1,389	1,705
Overheads and depreciation	546	866
Other expenses	352	442
Government grants	(502)	(272)
	<b>5,081</b>	<b>7,025</b>

### 11 Staff costs

The average monthly number of employees in 2023 (including executive directors) was 980 (2022: 949).

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Wages and salaries	25,608	24,299
Share-based payments	2,308	298
	<b>27,916</b>	<b>24,597</b>

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## 12 Other operating income

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Gain from disposal of property	(83)	(2,021)
Change in liabilities	(860)	-
Gain from business combination achieved in stages over an associated company <sup>(1)</sup>	-	(404)
Gain from revaluation of investment carried at fair value	-	(193)
Amortisation of intangible assets	94	143
Other	(247)	47
	<b>(1,096)</b>	<b>(2,428)</b>

<sup>(1)</sup> See note 32 in relation to business combination achieved in stages

## 13 Finance income

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Interest on bank deposits and other	1,028	729
Gain on financial assets at FVTPL	301	-
Gain on derivative financial instruments	-	43
	<b>1,329</b>	<b>772</b>

## 14 Finance expenses

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Interest on loans and bank fees	(691)	(593)
Interest expense on liabilities	(683)	(740)
Foreign exchange differences, net	(142)	(456)
Loss on financial assets at FVTPL	-	(222)
	<b>(1,516)</b>	<b>(2,011)</b>

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 15 Income tax expenses

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Current tax	(1,071)	(430)
Tax on previous years	20	53
Deferred tax (note 27)	212	38
	<b>(839)</b>	<b>(339)</b>

#### Taxation under various laws:

##### *Israel*

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

1. The corporate income tax rate for the years 2022 and 2023 is 23%.
2. Encouragement of Capital Investments Law:
  - a. The corporate tax rate for each company with Preferred Enterprise status for the years 2022 and 2023 is 7.5%.
  - b. Including additional tax tracks for Preferred Technological Enterprise (tax rate of 7.5% in Area "A" and tax rate of 12% in Area "Other") and for special Preferred Technological Enterprise (tax rate of 6%).
  - c. Determining relief of the threshold conditions to enter the track of "Special Preferred Enterprise" relevant for huge companies (tax rates of 5% in Area "A" or 8% in the Area "Other").

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

The Company and its Israeli subsidiaries have tax loss carry-forwards of \$132.1 million for which the Group did not create deferred tax assets. According to the Israeli tax law there is no expiry date to use such losses.

The Company tax assessments for the years up to and including the 2018 tax year are considered as final.

##### *The United States of America*

Telco Systems incurred losses for tax purposes. In addition, in accordance with U.S. tax law, Telco Systems elected to amortise a substantial part of the excess cost paid by the Company in its acquisition over a period of 15 years, which has resulted in tax loss carry-forwards. According to U.S. law, losses created until 2017 can be carried forward for 20 years. As of 31 December 2023, the total carry-forward losses of Telco Systems amounted to \$222.5 million of which deferred tax assets of \$3.1 million have been recognised in respect of such losses to the extent that a sufficient taxable profit will be available in the foreseeable future.

The corporate income tax for the years 2022 and 2023 is 21%.

##### *Other jurisdictions*

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

The Group has tax loss carry-forwards of \$8.1 million in European subsidiaries and the Group did not recognise deferred tax assets in respect of \$7.1 million of such losses.

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

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

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Profit before tax	1,461	1,895
Tax expense at the Israeli statutory corporate income tax rate of 23%	336	437
Difference between equity method measurement basis and cost basis for tax purposes	(53)	315
Current year losses for which no deferred tax assets were recognised	767	342
Differences between statutory tax in Israel (23%) and subsidiaries tax rate	(109)	418
Tax losses utilised in current period for which no deferred tax assets have been recognised	(204)	(774)
Deferred tax assets recognised	(199)	(24)
Tax on previous years	(20)	(53)
Other	321	(322)
<b>Tax expenses for the year</b>	<b>839</b>	<b>339</b>

### 16 Earnings per share

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

	Year ended 31 December	
	2023	2022
Earnings for the purposes of basic and diluted earnings per share (\$'000s) attributable to Owners of the Company	(193)	244
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	436,051,454	440,167,097
Effect of dilutive potential ordinary shares	766,993	2,190,019
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	<b>436,818,447</b>	<b>442,357,116</b>

The number of dilutive instruments that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the year, is 25,049,219 (2022: 1,778,220).

The weighted average number of ordinary shares for the purposes of basic earnings per share for 2022 is taking into consideration the share buy-back conducted during the year (see note 30).



## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 17 Short-term investment in deposits and other securities

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Interest-bearing deposits	281	1,182
Financial assets at FVTPL	8,144	7,829
	<b>8,425</b>	<b>9,011</b>

The average interest rate of deposits as of 31 December 2023 and 2022 are 4.0% and 3.42% respectively.

### 18 Trade and other receivables

	31 December	
	2023 \$'000s	2022 \$'000s
<b>Trade and other receivables</b>		
Trade receivable account	21,806	25,606
Prepaid expenses & Deposits	3,898	4,581
Construction contracts (see following table)	2,528	2,159
Government authorities	1,217	2,516
Other debtors	1,770	1,633
	<b>31,219</b>	<b>36,495</b>

	31 December	
	2023 \$'000s	2022 \$'000s
<b>Construction contracts</b>		
<b>Composition:</b>		
Cumulative costs incurred due to works construction contracts	18,232	13,795
In addition - Recognised profits	2,306	3,474
Less accounts submitted to project customers	(18,010)	(15,110)
	<b>2,528</b>	<b>2,159</b>

No interest is charged on the receivables. An allowance has been made at 31 December 2023 for estimated irrecoverable amounts from the sale of goods of \$3,215 thousand (2022: \$3,085 thousand), including a loss allowance for expected credit losses according to IFRS 9. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

As of 31 December 2023, trade receivable account includes amounts of \$6.9 million for which the maturity date has expired (including a receivable in the amount of \$1.8 million that is overdue by more than a year), but the Group, based on past experience and on the credit quality of the debtors and given that a substantial part of the debts have been collected by the date of the approval of this annual report, has not made an allowance for doubtful debts since the Company expects that those debts are collectible.

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, deposits and investments at fair value. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statements of financial position are net of allowances for credit loss.

## 19 Inventories

	31 December	
	2023 \$'000s	2022 \$'000s
Raw materials	7,537	6,552
Work-in-progress	3,864	4,727
Finished goods	26,826	23,182
	<b>38,227</b>	<b>34,461</b>

During 2023, \$0.1 million of slow-moving inventory was impaired and expensed to the profit or loss account (2022: \$0.2 million).

## 20 Property, plant and equipment

(\$'000s)	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
<b>Cost</b>						
<b>At 1 January 2022</b>	<b>9,708</b>	<b>21,528</b>	<b>2,133</b>	<b>4,460</b>	<b>3,716</b>	<b>41,545</b>
Additions	37	1,264	346	90	463	2,200
Disposals	(2,478)	(558)	(43)	(439)	(193)	(3,711)
Business combination	-	42	-	3	-	45
Effect of translation adjustment	(477)	(695)	(201)	(204)	(196)	(1,773)
<b>At 1 January 2023</b>	<b>6,790</b>	<b>21,581</b>	<b>2,235</b>	<b>3,910</b>	<b>3,790</b>	<b>38,306</b>
Additions	130	1,454	179	299	489	2,551
Disposal	(17)	(340)	(135)	(21)	(176)	(689)
Effect of translation adjustment	322	376	169	158	15	1,040
<b>At 31 December 2023</b>	<b>7,225</b>	<b>23,071</b>	<b>2,448</b>	<b>4,346</b>	<b>4,118</b>	<b>41,208</b>

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

(\$'000s)	Land and buildings	Plant and equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
<b>Accumulated depreciation</b>						
<b>At 1 January 2022</b>	<b>2,965</b>	<b>13,759</b>	<b>1,254</b>	<b>4,097</b>	<b>1,363</b>	<b>23,438</b>
Depreciation expense	258	1,157	178	174	284	2,051
Disposals	(970)	(418)	(43)	(330)	-	(1,761)
Business combination	-	20	-	2	-	22
Effect of translation adjustment	(194)	(293)	(118)	(123)	(25)	(753)
<b>At 1 January 2023</b>	<b>2,059</b>	<b>14,225</b>	<b>1,271</b>	<b>3,820</b>	<b>1,622</b>	<b>22,997</b>
Depreciation expense	253	1,145	225	203	393	2,219
Disposals	(3)	(333)	(106)	(19)	(110)	(571)
Effect of translation adjustment	112	186	90	107	17	512
<b>At 31 December 2023</b>	<b>2,421</b>	<b>15,223</b>	<b>1,480</b>	<b>4,111</b>	<b>1,922</b>	<b>25,157</b>
<b>Carrying amount</b>						
<b>At 31 December 2023</b>	<b>4,804</b>	<b>7,848</b>	<b>968</b>	<b>235</b>	<b>2,196</b>	<b>16,051</b>
<b>At 31 December 2022</b>	<b>4,731</b>	<b>7,356</b>	<b>964</b>	<b>90</b>	<b>2,168</b>	<b>15,309</b>

**21 Investment property****Additional Information*****Fair value disclosures for investment properties measured using the cost model***

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at year end are as follows:

	31 December 2023		31 December 2022	
	At amortised cost \$'000s	Fair value \$'000s	At amortised cost \$'000s	Fair value \$'000s
Italy	612	1,014	620	1,166

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

Average market price, taking into account the differences in location and individual factors, such as frontage and size, between the comparables and the property, was \$1,220 per square metre for the property in Italy.

During 2022, the Group sold its properties in the USA, which generated a profit of \$2.1 million.

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 22 Right-of-use assets

(\$'000s)	Plant and equipment	Buildings	Motor vehicles	Total
<b>Cost</b>				
At 1 January 2022	<b>848</b>	<b>9,662</b>	<b>1,261</b>	<b>11,771</b>
Additions	286	957	175	1,418
Disposals	(77)	(669)	(216)	(962)
Effect of translation adjustment	(44)	(144)	(38)	(226)
At 31 December 2022	<b>1,013</b>	<b>9,806</b>	<b>1,182</b>	<b>12,001</b>
Additions	241	1,272	305	1,818
Disposals	-	(1,912)	-	(1,912)
Effect of translation adjustment	34	196	16	246
<b>At 31 December 2023</b>	<b>1,288</b>	<b>9,362</b>	<b>1,503</b>	<b>12,153</b>

(\$'000s)	Plant and equipment	Buildings	Motor vehicles	Total
<b>Accumulated depreciation</b>				
At 1 January 2022	128	4,457	616	5,201
Charge for the year	228	1,685	312	2,225
Disposals	(44)	(484)	(216)	(744)
Effect of translation adjustment	(6)	(129)	(7)	(142)
At 31 December 2022	<b>306</b>	<b>5,529</b>	<b>705</b>	<b>6,540</b>
Charge for the year	251	1,580	303	2,134
Disposals	-	(1,034)	-	(1,034)
Effect of translation adjustment	14	141	7	162
<b>At 31 December 2023</b>	<b>571</b>	<b>6,216</b>	<b>1,015</b>	<b>7,802</b>
<b>Carrying amount</b>				
<b>At 31 December 2023</b>	<b>717</b>	<b>3,146</b>	<b>488</b>	<b>4,351</b>
<b>At 31 December 2022</b>	<b>707</b>	<b>4,277</b>	<b>477</b>	<b>5,461</b>

The Group leases several assets including buildings and motor vehicles. The average lease term of buildings and motor vehicles is approximately 5 and 3 years, respectively.

The maturity analysis of lease liabilities is presented in note 28.

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### Amounts recognised in profit or loss

	<b>2023</b> <b>\$'000s</b>	<b>2022</b> <b>\$'000s</b>
Depreciation expense on right-of-use assets	2,134	2,225
Interest expense on lease liabilities	194	192
Expense relating to short-term leases	978	893

At 31 December 2023, the Group was committed to \$0.8 million for short-term leases (2022: \$0.7 million). The total cash outflow for leases amounted to \$2,162 thousand (2022: \$2,192 thousand).

## 23 Goodwill

The Group annually tests goodwill for impairment or more frequently if there are indications that goodwill might be impaired. The Group has four reportable business segments and goodwill is allocated to CGUs as follows:

Networking Segment: an amount of \$1,984 thousand (2022: \$1,984 thousand).

Diagnostics Segment: \$1,360 thousand (2022: \$1,313 thousand), which is allocated to two CGUs: Diagnostics: \$1,057 thousand (2022: \$1,020 thousand) and Distribution of diagnostics: \$303 thousand (2022: \$293 thousand).

Secondary Segment: \$9,419 thousand (2022: \$9,286 thousand), which is allocated to four CGUs: Eco-Med: \$2,550 thousand (2022: \$2,550 thousand), Distribution of pharmaceutical: \$776 thousand (2022: \$779 thousand), Provider of genetics tests: \$2,513 thousand (2022: \$2,376 thousand), Analytical instruments distribution: \$3,580 thousand (2022: \$3,580 thousand).

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected related expenses during the period. Pre-tax discount rates of between 10.6% - 18.7% have been used. Changes in expenses are based on recent history and expectations of future changes in the market.

For the purpose of the goodwill impairment test, the Group prepares cash flow forecasts derived from the most recent financial budget approved by management and extrapolates indefinite cash flows based on estimated growth rates. For the purposes of this calculation management have used revenue growth rates for the Networking CGU of 30% average growth per year for 1-5 years and 1% thereafter; for the Diagnostics CGU of 26% average growth per year for 1-5 years and 3% thereafter; for the Distribution of diagnostics CGU of 16% average growth per year for 1-5 years and 5% thereafter; for the Eco-Med CGU of 36% average growth per year for 1-5 years and 0% thereafter; for the Distribution of pharmaceutical CGU of 13% average growth per year for 1-5 years and 5% thereafter; for the Distributor and provider of genetics tests CGU of 8% average growth per year for 1-5 years and 0% thereafter; and for the Analytical instruments distribution CGU of 10% average growth per year for 1-5 years and 1% thereafter.

The average operating expenses have been assumed to grow for the Networking CGU at 25% average growth per year for 1-5 and 1% thereafter; for the Diagnostics CGU at 5% average growth per year for 1-5 then assumed to remain constant thereafter; for the Distribution of diagnostics CGU at 10% average growth per year for 1-5 then assumed to remain constant thereafter; for the Eco-Med CGU at 19% average growth per year for 1-5 then assumed to remain constant thereafter; for the Distribution of pharmaceutical CGU at 9% average growth per year for 1-5 then assumed to remain constant thereafter; for the Distributor and provider of genetics tests CGU at (1%) average growth per year for 1-5 then assumed to remain constant thereafter; and for the Analytical instruments distribution CGU at 10% average growth per year for 1-5 then assumed to remain constant thereafter. The average cost of goods sold has been assumed to grow for the Networking CGU at 15% average growth per year for 1-5 and 1% thereafter; for the Diagnostics CGU at

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

26% average growth per year for 1-5 and 5% thereafter; for the Distribution of diagnostics CGU at 16% average growth per year for 1-5 and 5% thereafter; for the Eco-Med CGU at 28% average growth per year for 1-5 then assumed to remain constant thereafter; for the Distribution of pharmaceutical CGU at 12% average growth per year for 1-5 and 5% thereafter; for the Distributor and provider of genetics tests CGU at 8% average growth per year for 1-5 then assumed to remain constant thereafter; and for the Analytical instruments distribution CGU at 8% average growth per year for 1-5 and 1% thereafter.

### Sensitivity of the recoverable amount to changes in the key assumptions

The recoverable amount of the Analytical instruments distribution activity is higher than the carrying amount in the amount of \$3.2 million. Reduction of 2% growth rate taken into account in calculating the value-in-use of the activity will result in a decrease of \$1.1 million recoverable amount of the activity and no goodwill impairment will be recorded. Increase of 3% in pre-tax discount rate taken into account in calculating the value-in-use of the activity will result in a decrease of \$1.5 million recoverable amount of the activity and no goodwill impairment will be recorded. The changes in assumptions for the sensitivity analysis will lead to changes in other assumptions used in the calculation of value-in-use.

	<b>2023 \$'000s</b>	<b>2022 \$'000s</b>
Balance at 1 January	<b>12,583</b>	<b>11,385</b>
Business combination <sup>(1)</sup>	-	1,429
Foreign exchange difference	180	(231)
Balance at 31 December	<b>12,763</b>	<b>12,583</b>

<sup>(1)</sup> see note 32

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

**24 Other intangible assets**

	Customer Relationships and Backlog \$'000s	Technology \$'000s	Other \$'000s	Total \$'000s
<b>Cost</b>				
<b>As at 1 January 2022</b>	<b>11,705</b>	<b>16,556</b>	<b>1,705</b>	<b>29,966</b>
Additions(*)	-	2,054	-	2,054
Disposals	-	(62)	-	(62)
Effect of translation adjustments	(320)	(290)	(68)	(678)
<b>At 1 January 2023</b>	<b>11,385</b>	<b>18,258</b>	<b>1,637</b>	<b>31,280</b>
Additions(*)	-	2,782	-	2,782
Effect of translation adjustments	362	196	(27)	531
<b>At 31 December 2023</b>	<b>11,747</b>	<b>21,236</b>	<b>1,610</b>	<b>34,593</b>
<b>Accumulated amortisation</b>				
<b>At 1 January 2022</b>	<b>11,657</b>	<b>12,210</b>	<b>1,451</b>	<b>25,318</b>
Amortisation expense	10	427	121	558
Effect of translation adjustments	(321)	(173)	(50)	(544)
<b>At 1 January 2023</b>	<b>11,346</b>	<b>12,464</b>	<b>1,522</b>	<b>25,332</b>
Amortisation expense	10	702	83	795
Effect of translation adjustments	350	103	(6)	447
<b>At 31 December 2023</b>	<b>11,706</b>	<b>13,269</b>	<b>1,599</b>	<b>26,574</b>
<b>Carrying amount</b>				
<b>At 31 December 2023</b>	<b>41</b>	<b>7,967</b>	<b>11</b>	<b>8,019</b>
<b>At 31 December 2022</b>	<b>39</b>	<b>5,794</b>	<b>115</b>	<b>5,948</b>

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

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 25 Subsidiaries

A list of the significant direct and indirect investments in subsidiaries, including the country of incorporation, and percent of ownership interest as at 31 December 2023 is presented below.

Subsidiary	Principal activity	Country of incorporation	Ownership interest
Entity A	Telecommunication	United States of America	100%
Entity B	Distribution of diagnostics	Romania	100%
Entity C	Eco-Med	Hungary	100%
Entity D	Distribution	Moldova	51%
Entity E	Diagnostics	Italy	96%
Entity F	Diagnostics	Italy	96%
Entity G	Cyber	Israel	67%
Entity H	Distribution	Hungary	100%
Entity I	Distribution	Israel	100%

The most significant NCIs (49%) are related to entity D which the loss for 2023 amounts to \$40 thousand (2022: profit of \$331 thousand).

### 26 Investment in joint venture and associate

	2023 \$'000s	2022 \$'000s
<b>As at 1 January 2023</b>	<b>15,555</b>	<b>12,667</b>
Additions	2,456	4,780
Disposal of investment in associated company	-	(372)
Equity Profit (loss)	(822)	(686)
Effect of translation adjustments	705	(834)
<b>At 31 December 2023</b>	<b>17,894</b>	<b>15,555</b>

Most of the carrying amount is related to investment in ADOR Diagnostics Ltd ("ADOR"). During the year, ADOR secured an investment of \$7.5 million, of which the Group is contributing \$3.5 million, to be paid on the completion of milestones. As at the balance sheet date, the Group had invested the first tranche, resulting in a shareholding of 42.2%. Following the full investment, the Group's shareholding in ADOR will increase to 43.6%.



## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 27 Deferred tax

#### Deferred tax assets

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

	Losses carried forward \$'000s	Other \$'000s	Total \$'000s
At 1 January 2022	<b>3,375</b>	-	<b>3,375</b>
Effect of translation adjustments	(13)	-	(13)
At 1 January 2023	<b>3,362</b>	-	<b>3,362</b>
Change for the period	-	135	135
Effect of translation adjustments	10	-	10
At 31 December 2023	<b>3,372</b>	<b>135</b>	<b>3,507</b>

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

#### Deferred tax liabilities

	Intangible assets \$'000s	Tangible assets and other \$'000s	Total \$'000s
At 1 January 2022	<b>73</b>	<b>97</b>	<b>170</b>
Change for the period	(14)	(24)	(38)
Effect of translation adjustments	(5)	(7)	(12)
At 1 January 2023	<b>54</b>	<b>66</b>	<b>120</b>
Change for the period	(11)	(66)	(77)
Effect of translation adjustments	(4)	-	(4)
At 31 December 2023	<b>39</b>	-	<b>39</b>

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

Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised amount to: \$16,895 thousand as of 31 December 2023 (31 December 2022: \$14,154 thousand).

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 28 Financial and other liabilities

#### *Trade and other payables*

	31 December	
	2023 \$'000s	2022 \$'000s
Trade creditors	22,532	20,990
Salary accruals	6,219	6,708
VAT and other tax	2,580	3,013
Provision	115	221
Liability for acquisition	2,788	3,779
Other creditors and accruals	7,428	11,545
	<b>41,662</b>	<b>46,256</b>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

#### *Long-term bank credit*

	31 December	
	2023 \$'000s	2022 \$'000s
Long-term bank credit	1,328	2,000
	<b>1,328</b>	<b>2,000</b>

#### *Long-term liabilities*

	31 December	
	2023 \$'000s	2022 \$'000s
Liability to the office of the chief scientist	2,319	2,845
Government institutions and other	1,130	627
	<b>3,449</b>	<b>3,472</b>

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

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

2023	Open balance \$'000s	Cash flow from finance activities, net \$'000s	Foreign exchange differences \$'000s	Close balance \$'000s
Short term	2,235	737	304	3,276
Long term	2,000	(735)	63	1,328
	<b>4,235</b>	<b>2</b>	<b>367</b>	<b>4,604</b>

2022	Open balance \$'000s	Cash flow from (used in) finance activities, net \$'000s	Foreign exchange differences \$'000s	Close balance \$'000s
Short term	1,634	609	(8)	2,235
Long term	1,356	839	(195)	2,000
	<b>2,990</b>	<b>1,448</b>	<b>(203)</b>	<b>4,235</b>

**Lease liabilities**

	2023 \$'000s	2022 \$'000s
<b>Balance as at 1 January</b>	<b>5,742</b>	<b>7,294</b>
Cash payments	(2,327)	(2,384)
Other	1,201	1,421
Foreign exchange impact	(136)	(589)
<b>Balance as at 31 December</b>	<b>4,480</b>	<b>5,742</b>

	31 December	
	2023 \$'000s	2022 \$'000s
Maturity analysis		
Year 1	1,830	1,984
Year 2	1,279	1,475
Year 3	729	1,102
Year 4	442	758
Onwards	200	423
	<b>4,480</b>	<b>5,742</b>

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## 29 Share capital

	Ordinary shares of NIS 0.01 each (number of shares)	
	2023	2022
Authorised:	1,000,000,000	1,000,000,000
Issued and fully paid:	440,684,134	440,534,124

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

During 2023, 150,010 RSUs were exercised by an employee. In addition, three share-based grants were made (see also note 34).

During 2022, the Company purchased a total of 4,495,000 shares (the "Buy-back Programme" - see also note 30).

## 30 Buy-back

On 17 March 2022, the general meeting of shareholders of the Group approved a buy-back programme. During 2022, the Company purchased a total of 4,495,000 ordinary shares for a total of \$1,325 thousand (net of transaction costs) for an average price of GBP 0.24 per share.

## 31 Note to the cash flow statement

	Year ended 31 December	
	2023 \$'000s	2022 \$'000s
Operating profit from operations	1,648	3,134
Adjustments for:		
Amortisation of intangible assets	795	557
Depreciation of property, plant and equipment and investment property	4,381	4,334
Capital gain of property, plant and equipment	(19)	(2,021)
Gain from revaluation of investment carried at fair value	-	(192)
Gain from business combination achieved in stages over an associated company	-	(404)
Share-based payments	2,518	298
Increase in retirement benefit obligation	24	23
<b>Operating cash flow before movements in working capital</b>	<b>9,347</b>	<b>5,729</b>
Increase in inventories	(3,998)	(3,258)
Decrease (increase) in receivables	4,606	(803)
Decrease in payables	(5,644)	(1,186)
Effects of exchange rate changes on the balance sheet	1,454	(1,556)
<b>Cash from operations</b>	<b>5,765</b>	<b>(1,074)</b>
Income taxes paid	(694)	(985)
Interest paid	(62)	(725)
<b>Net cash from (used in) operating activities</b>	<b>5,009</b>	<b>(2,784)</b>

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### 32 Business combination achieved in stages over an associated company

Towards the end of 2022, the Group gained control of one of its associated companies. As a result, the Group recorded a capital gain of \$404 thousand.

	<b>2022</b> <b>US\$ in thousands</b>
<b>Net assets acquired</b>	
Current assets	523
Cash	29
Property, plant and equipment	22
Current liabilities	(514)
	<b>60</b>
Goodwill	1,429
<b>Total consideration</b>	<b>1,489</b>
<b>Satisfied by:</b>	
Disposal of investment in associated company	775
Liability of acquisition	714
<b>Total consideration</b>	<b>1,489</b>
<b>Net cash inflow arising on business combination:</b>	
Cash and cash equivalents acquired	29

### 33 Guarantees and liens

The Group provided from time-to-time bank guarantees due to advances from customers. The Company registered several liens in favour of banks.

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## 34 Share-based payments

### *Equity-settled share option scheme*

In November 2021, the Company approved a Global Share Incentive Plan (hereinafter: “the 2021 Plan”), under which the Company can grant options or restricted share units or allot shares (including restricted shares), according to the procedures, terms and conditions specified in the 2021 Plan. Options granted prior to the 2021 Plan are subject to the terms and conditions under which they were granted.

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

	2023		2022	
	Number of share options	Weighted average exercise price (in GBP)	Number of share options	Weighted average exercise price (in GBP)
Outstanding at beginning of year	5,481,200	0.2976	5,631,200	0.3008
Granted during the year	20,174,200	0.2522	-	-
Forfeited during the year	-	-	(150,000)	0.4196
Exercised during the year	-	-	-	-
Outstanding at the end of the year	<b>25,655,400</b>	<b>0.2619</b>	<b>5,481,200</b>	<b>0.2976</b>
Exercisable at the end of the year	<b>5,406,200</b>	<b>0.2871</b>	<b>5,264,534</b>	<b>0.2718</b>

The outstanding options at 31 December 2023 had a weighted average exercise price of GBP 0.2619, and a weighted average remaining contractual life of 8.0 years.

On 1 January 2023, the Company granted a total of 17,663,306 options over ordinary shares of 0.01 NIS each in the capital of the Company (“Ordinary Shares”) to the Chairman and CEO of the Company. The options were granted under the 2021 Plan after receiving the approval of shareholders at a general meeting. In May and December 2023, the Company granted 2,110,894 and 400,000 options, respectively, to senior employees under the 2021 Plan.

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

	2023 1st grant	2023 2nd grant	2023 3rd grant
Weighted average share price (GBP)	0.2549	0.2386	0.2052
Weighted average exercise price (GBP)	0.2549	0.2386	0.2052
Expected volatility	48%	49%	49%
Expected life	6	6	6
Risk-free rate	3.6%	3.4%	4.5%
Expected dividends	0%	0%	0%
Fair value of the grant	\$3,091k	\$300k	\$55k

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

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

**Details of the restricted share units (“RSUs”) outstanding during the year are as follows:**

	Number of RSUs 2023	Number of RSUs 2022
Outstanding at beginning of year	2,190,359	-
Granted during the year	-	2,190,359
Forfeited during the year	(240,644)	-
Exercised during the year	(150,010)	-
Outstanding at the end of the year	1,799,705	2,190,359

During 2022, three share-based grants were made. In April 2022, the Company granted to an executive officer 537,109 RSUs under the Group’s 2021 Plan. The RSUs vest on the third anniversary of the grant date subject to total shareholder return (“TSR”) performance over the three-year period as follows:

TSR on vesting date compared to share price on date of grant	Vesting percentage of the RSUs
Less than +15%	0%
+15%	25%
Between +15% and +25%	Pro rata between 25% and 80%
+25%	80%
Between +25% and +50%	Pro rata between 80% and 100%
50% or higher	100%

The fair value of the grant is \$224 thousand and was calculated using the Bionomic model as follows:

	2022
Weighted average share price (GBP)	0.50
Expected volatility	57%
Expected life	3
Risk-free rate	1.5%
Expected dividends	0%

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

In July and September 2022, the Company granted 1,653,250 RSUs to four employees, with vesting periods of two to three years and subject to performance conditions. The total fair value of this grant of RSUs to four employees amounts to \$700 thousand, based on the Company’s average closing share price over the 30 trading days preceding the grant date.

The Group recognised total expenses of \$2,518 thousand and \$298 thousand related to equity-settled share-based payment transactions in 2023 and 2022, respectively.

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## 35 Retirement benefit obligation

### Defined contribution plans

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

Total expenses related to the contribution retirement benefit schemes are: \$531 thousand in the year 2023 (2022: \$515 thousand).

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

### Defined benefit plans

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

In Israel, this scheme provides severance pay provision as required by Israeli law. In Italy, each employee is entitled to severance payment at the end of employment.

An actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by an external appraisal, regarding the employees in Israel. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The discount rate was based on high quality corporate bonds.

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

	2023	2022
Discount rate(s)	5.13%	2.22%
Expected rate(s) of salary increase	3-4%	3-4%
Expected inflation rate	2.59%	2.71%
Employee turnover rate	8%	8%

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

#### Service cost:

	2023 \$'000s	2022 \$'000s
Current service cost	163	150
Net interest expenses	22	3
Components of defined benefit costs recognised in profit or loss	<b>185</b>	<b>153</b>



## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### **Re-measurement on the net defined benefit liability:**

	<b>2023 \$'000s</b>	<b>2022 \$'000s</b>
Return on plan assets (excluding amounts included in net interest expense)	(23)	(5)
Actuarial gains and losses arising from changes in financial assumptions	4	42
Actuarial gains and losses arising from other	24	28
Components of defined benefit costs recognised in other comprehensive income	<b>5</b>	<b>65</b>

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

	<b>2023 \$'000s</b>	<b>2022 \$'000s</b>
Present value of funded defined benefit obligation	1,581	1,665
Fair value of plan assets	(983)	(1,128)
Net liability	<b>598</b>	<b>537</b>

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

	<b>2023 \$'000s</b>	<b>2022 \$'000s</b>
Opening defined benefit obligation	1,665	2,044
Current service cost	163	150
Interest cost	56	31
Remeasurement gains arising from changes in financial assumptions	(29)	(87)
Benefits paid	(197)	(284)
Exchange rate differences	(77)	(189)
Closing defined benefit obligation	<b>1,581</b>	<b>1,665</b>

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

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

	2023 \$'000s	2022 \$'000s
Opening fair value of plan assets	1,128	1,423
Interest income	34	28
Remeasurements gains/(losses) return on plan assets (excluding amounts included in net interest expense)	(24)	(22)
Contributions from the employer	33	39
Benefits paid	(153)	(180)
Exchange rate differences	(35)	(160)
Closing fair value of plan assets	<b>983</b>	<b>1,128</b>

### 36 Related party transactions

#### Remuneration of directors and key management

	2023 \$'000s	2022 \$'000s
Short- and long-term employee benefits	1,596	1,845
Share-based payments	2,128	56
	<b>3,724</b>	<b>1,901</b>

At the end of the year, the Group had a liability to a related party in the amount of \$483 thousand.

#### Transactions and balances with associated companies

During the year, the Group provided various services (mostly lab services) to an associated company for an amount of \$1,971 thousand. At the end of the year, the Group assets and liabilities related to associated companies were in an amount of \$466 thousand and \$1,172 thousand, respectively.

### 37 Financial Instruments

#### (a) Capital risk management

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

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

#### (b) Significant accounting policies

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

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### **(c) Categories of financial instruments**

	<b>2023</b> <b>\$'000s</b>
<b>Financial assets</b>	
Cash and cash equivalents*	32,339
Fair value through profit or loss**	9,121
Fair value through OCI**	524
Receivables	26,104
<b>Financial liabilities</b>	
At amortised cost	50,368
<b>2022</b> <b>\$'000s</b>	
<b>Financial assets</b>	
Cash and cash equivalents*	35,156
Fair value through profit or loss	9,707
Fair value through OCI	524
Receivables	29,392
<b>Financial liabilities</b>	
At amortised cost	55,843

\* Cash and cash equivalents comprises \$13.3 million deposits up to three months and \$19.0 million cash (2022: \$2.4 million deposits up to three months and \$32.8 million cash).

\*\* The amounts include 'Short-term investment in deposits and other securities' and 'Investments carried at fair value' in the amounts of \$8,425 thousand and \$1,220 thousand respectively.

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

### **(d) Financial risk management objectives**

The Group's finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyse exposure by degree and magnitude of risks. These risks include market risk (including currency, interest rate and inflation risk), credit risk, liquidity risk and cash flow interest rate risk.

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

# Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

## **(e) Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer to section f) and interest rates (refer to section g). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including: structured deposits, call options and forward foreign exchange contracts to hedge the exchange rate risk, which derive mostly from existing monetary assets and liabilities.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. However, due to recent changes and market volatility, the Group is monitoring closely its exposure and possible indirect impacts.

## **(f) Foreign currency risk management**

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

The Company does not implement hedge accounting.

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

	Liabilities		Assets	
	2023 \$'000s	2022 \$'000s	2023 \$'000s	2022 \$'000s
EUR	18,650	23,396	13,376	20,909
NIS	4,173	5,595	12,962	11,572
RON	4,451	5,252	14,744	10,026
MDL	5,803	2,765	4,884	4,682
GBP	419	360	92	133
Other	1,879	4,939	1,256	1,822

## **Foreign currency sensitivity**

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

The following table details the Group's sensitivity to a 10% change in USD against the respective foreign currencies in 2023. The 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where the USD weakens against the respective currency. If the USD were to strengthen by the same percentage against the respective currency there would be a similar but reverse impact on the profit or loss and equity as presented in the tables below.

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### **Profit or loss**

	2023 \$'000s	2022 \$'000s
NIS Impact	796	783
EUR Impact	(10)	104
GBP Impact	1	(2)

### **Equity**

	2023 \$'000s	2022 \$'000s
NIS Impact	83	(185)
EUR Impact	(518)	(352)
MDL Impact	(92)	192
GBP Impact	(33)	(21)
RON Impact	1,029	477
Other Currencies Impact	(63)	(312)

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

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

### **(g) Interest rate risk management**

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

### **(h) Liquidity risk management**

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

## Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 December 2023

### Financial liabilities

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	Total
	%	\$'000s	\$'000s	\$'000s	\$'000s
<b>31 December 2023</b>					
Non-interest bearing loans	-	38,001	597	3,804	42,402
Bank loans interest bearing (*)	5.58	99	3,177	1,328	4,604
Lease liabilities	3.39	457	1,373	2,650	4,480
		38,557	5,147	7,782	51,486
<b>31 December 2022</b>					
Non-interest bearing loans	-	42,396	725	4,703	47,824
Bank loans interest bearing(*)	5.21	403	1,832	2,000	4,235
Lease liabilities	2.64	496	1,488	3,758	5,742
		43,295	4,045	10,461	57,801

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

The future bank loan interest to be paid is \$171 thousand.

#### **(i) Finance liabilities**

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

#### **(j) Fair value of financial instruments carried at amortised cost**

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

# Other Alternative Measures

## Income statement adjustments

The Group has made reference in the annual report to a number of adjustments regarding adjustments related to the amortisation of intangible assets and share-based payments. These adjustments are outlined below:

Year ended 31 December 2023 (Unaudited)	Reported results	Adjustments(*)	Adjusted results
<b>US\$ thousands</b>			
Gross profit	39,890	568	40,458
Gross margin (%)	32.5%	-	32.9%
Operating profit	1,648	3,313	4,961
EBITDA	6,824	2,518	9,342

Year ended 31 December 2022 (Unaudited)	Reported results	Adjustments(*)	Adjusted results
<b>US\$ thousands</b>			
Gross profit	37,958	414	38,372
Gross margin (%)	32.7%	-	33.0%
Operating profit	3,134	855	3,989
EBITDA	8,025	298	8,323

(\*) Adjusted to exclude amortisation of intangible assets and share-based payments.

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

## EBITDA measurement

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

	Year ended 31 December	
	2023 (Unaudited)	2022 (Unaudited)
Operating profit	1,648	3,134
Amortisation of intangible assets	795	557
Share-based payments	2,518	298
Depreciation	4,381	4,334
<b>Adj. EBITDA</b>	<b>9,342</b>	<b>8,323</b>

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

# Company Information

## Registered Office

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

## Company Number

**520042813** – Registered in Israel

## Company Secretary

**Mr. Yair Livneh**

## Auditors

**Brightman Almagor Zohar & Co., a Firm in the  
Deloitte Global Network**

1 Azriely Center,  
Tel-Aviv, Israel

## Financial Adviser & Stockbroker

**Shore Capital**

Cassini House,  
57 St James's Street,  
London SW1A 1LD, UK

## Legal Counsel in UK

**Fladgate LLP**

16 Great Queen Street,  
London WC2B 5DG, UK

## Registrar

**Link Group**

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

## Financial PR Consultants

**Gracechurch Group**

48 Gracechurch Street,  
London EC3V 0EJ, UK



# Notes

# Notes

# BATM IS A LEADER IN REAL-TIME TECHNOLOGIES

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



For more information visit:

[www.batm.com](http://www.batm.com)



@BATMLtd



@BATM



@BATMgroup

## **Forward-looking statements**

*This document contains forward-looking statements. Those statements reflect the current opinions, evaluations and estimations of the Group's management, and are based on the current data regarding the Group's business as is detailed in this document and in the Group's periodical, interim and immediate reports. The Group does not undertake any obligation or make any representation that actual results and events will be in line with those statements, and stresses that they may differ materially from those statements, due to changes in the Group's business, market, competition, demand for the Group's products or services, general economic factors or other factors that can influence the Group's business and results, due to the risk factors that are detailed in this Annual Report, and due to information and factors that are currently unknown to the Group's management and that, if known, would affect the management's opinions, evaluations or estimations. The Group will report the actual results and events according to its legal, accounting and regulatory obligations, and does not undertake any other obligation to report them or their deviations from the forward-looking statements, or to update any of the forward-looking statements in this document or to report that it is not valid anymore.*



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