SHEKEL BRAINWEIGH LTD

ARBN 625 669 445

ANNUAL REPORT 2020

Shekel Brainweigh Ltd (ASX: SBW)
Corporate Directory
31 December 2020

Directors	Arik Shor (appointed 30 July 2020) Yoram Ben Porat Beth Kaplan Isaac Raviv Tzipi Avioz Sophie Raven (resigned 31 August 2020) Michael Hughes
Company Secretary	Elizabeth Spooner
Registered Office	C/ - Automic Group Pty Ltd Level 5, 126 Phillip Street Sydney, NSW 2000
Principal Place of Business (Israel)	Kibbutz Beit Keshet, Lower Galilee Mobile Mail 1524700 Telephone +972-4-6629100 Facsimile: +972-4-6629146 Email: info@shekelonline.com Website: www.shekelbrainweigh.com
Share Register	Automic Registry Services Level 5, 126 Phillip Street Sydney, NSW 2000
Auditor	BDO Ziv Haft Israel Amot BDO House 48 Menachem Begin Road, Tel Aviv 6618001, Israel
Australian Legal Advisors	MinterEllison Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000
Israeli Legal Advisors	LIPA MEIR & CO.ADVOCATES 2 Weizmann Street, Tel Aviv 6423902 Israel
Corporate Governance Statement	The Corporate governance statement which will be approved at the same time as the Annual Report can be found at www.shekelbrainweigh.com

Dear Shareholders

On behalf of the Board of Directors and Management, it is a great pleasure to present Shekel Brainweigh's 2020 Annual Report.

Shekel's continuing investment in R&D for both the Shekel Scales and the Retail Innovation divisions means these divisions are positioned for growth in 2021.

On 18 January 2021, Shekel raised $A2.1 million in a private placement. This will be used for product development in both divisions and in advancing Shekel's go-to-market strategy of its autonomous micro stores and micro-market coolers.

One of the main activities for the year ahead for Shekel Scales will be the launch of the Software as a service (SaaS) version of Fast Track during the second half of 2021 which presents a growth opportunity for Shekel in the Self-CheckOut (SCO) market segment.

In the medical market, Shekel Scales is looking at opportunities to grow sales in both the incubator market and the dialysis treatment of dialysis market.

The division will be aiming to vertically expand Shekel's market reach from incubators manufacturers to additional medical systems as well as on advancing our incubator customers' needs via our unique technology.

In the dialysis market, COVIDs stay-at-home restrictions, is pushing the treatment of dialysis from medical centers to patient's homes and Shekel will seek to capitalize on this.

On a different front, we are aiming to deliver growth by share-gaining activities within our existing businesses and with our product development projects. In one of these we are at a prototype-approval phase with two major players in the scan-and-scale and security weighing systems applications market.

In 2021 we will finalize the development of a unique, non-barcoded items-weighing-and-recognition system designed specifically to capture opportunities in the smart-carts self-service market.

In the Retail Innovation division, a key activity in FY21 will be the delivery of the first hubz smart coolers with sales to start in the second quarter of 2021.

Shekel's partners – Parlevel Systems and Imbera Cooling – are expected to drive the sales and marketing of hubz in the North America and Latin markets, and for expanding hubz to other regions of the world later this year.

Shekel advised the ASX in January 2021 of its partnering with Hitachi Europe to target micro stores and convenience stores with the Capsule platform based on our Product Aware Shelf (PAS) technology. We are also working with Hitachi Europe to actively identify more joint opportunities to expand our global partnership.

We are developing new models of electronics and software to enhance the performance of our Product Aware Technology (PAT) which digitally transforms a retail shelf into a source of enlightening insights. The technology is able to identify a product by its weight, using IoT load sensors, embedded smart shelf software and artificial intelligence to provide real-time data, thereby enabling store automation.

We will also work closely with Casino Groups Monoprix to expand BlackBox – our Micro-Market Capsule – to open more stores in France. We also won a market concept project in Israel for this capsule. The Micro-Market Capsule has a strong outlook and potential for growth.

2021 will be an important year for Shekel. Even with the uncertainties of the global markets, we believe our core business will continue to perform well – although slightly balanced by the soft demand for medical devices and flat year for sales in medical systems.

Our ability to execute on our technologies and portfolio roadmap will determine our future competitive edge. It will also position Shekel to win in the marketplace with innovative solutions centered around self-service and data analytics - aligned well with our core markets, market trends trends and customer needs.

Sincerely,

Arik Schor
Chairman and CEO

Shekel Brainweigh Ltd
Directors' Report
31 December 2020

Your Directors present their report, together with the financial statements of Shekel Brainweigh Limited ("the Company" or "Shekel") and its controlled entities "the Group") for the financial period ended 31 December 2020.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
Mr Arik Schor	CEO and Executive Chair	30 July 2020	
Mrs Tzipi Avioz*	Non-Executive Director	19 August 2018	-
Mr Yoram Ben Porat	Executive Director	19 August 2018	-
Mrs Beth Kaplan	Non-Executive Director	19 August 2018	-
Mr Isaac Raviv	Non-Executive Director	19 August 2018	-
Mrs Sophie Raven	Non-Executive director	19 August 2018	31 August 2020
Mr Michael Hughes	Non-Executive Director	8 November 2019	-

* Mrs Avioz was appointed Interim Chair upon Mr David Sharma's resignation on 31 December 2019 until 30 July 2020.
** Mr Schor was appointed at a shareholder meeting held on 30 July 2020.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2020 (2019: nil).

Review of Operations

<u>Shekel Scales</u>

The Company continued manufacturing and delivery of systems globally during COVID, and gaining new clients including for its self-checkout scales.

In the retail market, demand for self-checkout technology fell by 10% due to a change in the ordering policy of one of the OEM customers. There was a 6% increase in sales in medical OEM markets in the United States and Europe.

The impact of COVID on hospitals and medical centers reduced demand for medical device business across the Healthweigh product line by 45%. This was partially offset by higher sales in the Israeli market across all segments, after winning medical and retail tenders in Israeli market.

In the healthcare market, orders for Shekel's proprietary incubator sensor weighing technology rose by 6% following increased orders from Atom and GE Healthcare. While COVID disrupted the distribution of Healthweigh products, orders in the healthcare sector rebounded in the second half, predominantly as a result of a return in distributor activities.

Development of a new solution for smart kart, allowing mobile self -check out on the smart kart itself. Significant increase in the Industrial special projects' activities. The industrial projects are highly profitable and carry high top-line sales. We are on track to materialize sales in 2021.

In FY20, Shekel signed an agreement to develop a software as a service version of the Fast Track self-checkout solution. This enables retailers to significantly reduce losses, errors and checkout-time at the point-of-sale (POS) and to improve the checkout experience for customers. Development of this solution is progressing as planned with the aim of launching Fast Track in the second half of 2021 and seeing fully commercialised systems in the market by end of 2021.

Retail Innovation Division

Commercialization of products and reporting its first revenue of US$0.3 million. This included US$0.2 million from product and Proof-of-Concept (POC) pilots and US$0.1 million of revenue from sales of Innovendi – Shekel's self-service smart micro market system – and supporting software services.

Despite 2020 being a challenging year for introducing new solutions, the division successfully commenced pilots. The division now has seven paid pilots, including a first order from Australia, reflecting the increased demand for new solutions and for the autonomous store.

Launch of Shekel's flagship Micro-Market Capsule – BlackBox - with a major retailer Casino Groups Monoprix, France, the first fully autonomous store of its kind.

Progressed with the product development and go-to-market readiness of solutions while prudently investing in R&D.

Actively managing relations with its major partners, including the continued development of its strategic relations with Intel, as a member of the "IoT Alliance"®. In FY20, Certification of Shekel's Micro-Market Capsule by Intel®, and recognition of both Innovendi and hubz as a Market Ready Solution, which enables Shekel to participate in joint marketing and sales efforts with Intel®.

Results of Operations

Total group revenues were US$18.3 million was US$0.5 million or 3% lower than FY19. This was achieved in an extremely uncertain and volatile environment across the globe where Shekel operates and is testament to the long-term stability of Shekel Brainweigh.The net loss attributable for the year was US$4.4 million, compared to a loss of US$3.3 million in FY19, as a result of a decline in gross profit and continued ongoing investment in R&D, mainly in the Retail Innovation Division.

Financial Position

As at 31 December 2020, the Company had cash reserves of US$1.47 million compared to US$2.57 at 31 December 2019. Following FY20, Shekel completed a A$2.1 million private placement.

Board Changes

Shekel was pleased to announce the appointment of Mr Arik Schor as Chairman and Chief Executive Officer of the Company in July. Mr Schor is an experienced senior executive with a successful track record of increasing revenue, profit and business growth objectives within large and complex growing organisations.

Shekel was pleased to announce the appointment of Mr. Nir Leshem as Chief Executive Officer of the Shekel Scales Division. Previously, Mr Leshem was at 3M, a multinational engineering conglomerate, as Director of Transportation Safety Division in the US.

In late FY20, Ms Sophie Raven stepped down from her role as Non-Executive Director in order to focus on other business interests.

Information on Directors

Mr Arik Schor	**Chairman and Chief Executive Officer**
Qualifications	BA in Computer Science and BSc in Civil Engineering from Technion, Israel Institute of Technology.
Experience	Mr Schor is an experienced senior executive with a successful track record of increasing revenue, profit and business growth objectives within large and complex growing organisations. Mr Schor has extensive experience with highly intricate operations and logistics systems. Mr Schor serves as an independent Director at Paz Oil Company Ltd, which is a publicly listed company on the Tel-Aviv stock exchange. Mr Schor also serves as a Chairman of the Board of Tadbik, a global leader in packaging solutions and Afimilk, a global leader in developing, manufacturing, and marketing advanced computerized systems for the modern dairy farm and herd management. Mr Schor previously served as Chief Executive Officer of Tnuva Group from 2009 to 2016, which is the largest food conglomerate in Israel. Prior to this Mr Schor served as the Chief Executive Officer of Hogla Kimberly (a subsidiary of Kimberly Clarke).
Interest in shares and Options	Nil

Mrs Tzipi Avioz	**Non-Executive Director**
Qualifications	BA in Sociology and Political Sciences from Hebrew University
Experience	Mrs Avioz has over 25 years' experience in the business consulting and technology sector, with a particular focus on data analytics and delivering large digital transformation programs. Since January 2020 Mrs Avioz is the EVP customer success APAC and Americas for Mirakl.Inc fast growing company that develops platform for marketplaces in all verticals B2B, B2C Financial services. Prior to this from 2016 to December 2018 Mrs Avioz served as IT customer solutions director for AMP, a financial services company in Australia and New Zealand, and her role has developed to support a growing number of business units within the company. Mrs Avioz's other previous roles include 10 years' experience at Woolworths Limited in Australia where her last role was serving as Group Head for Digital Commerce and Contact Centre and, prior to this, from 2003 to 2006, as Chief Information Officer for the Tiv Taam Group, an Israeli supermarket chain.
Interest in shares and Options	Nil

Mr Yoram Ben-Porat	**Executive Director**
Experience	In 1988, Mr Ben Porat co-founded NUR Macroprinters Ltd, an Israeli-based international manufacturer of industrial digital printers. Between 1988 and 2000, Mr Ben Porat acted as CEO for NUR Macroprinters, during which time, in 1995, the company listed on NASDAQ. NUR Macroprinters was subsequently sold in 2007 to Hewlett Packard, a multinational information technology company, for US$117.5 million. In 2007, Mr Ben Porat also co-founded Nomad Media Solutions Ltd, a Swiss print and media technology company, but no longer is involved in the company's management. Mr Ben Porat previously co-founded Israeli-based technology companies Print Electronics (in 1983) and Light Piezo Tech (in 1985), acting as Director of Business Development, Sales and Marketing for Print Electronics until 1985 and as Director of Sales and Marketing for Light Piezo Tech until 1988.
Interest in shares and Options	35,221,200 shares 2,890,933 performance rights

Mr Isaac Raviv	**Non-Executive Director**
Qualifications	BA in Economics, Sociology and Political Sciences from Hebrew University.
Experience	Mr Raviv has over 30 years' managerial experience across the technology sector for both private and public Israeli and international companies. During his time as chairman and CEO of various companies, Mr Raviv has played an important role in mergers and acquisitions and fund raising initiatives, with a hi-tech focus. Between 1990 and 1993, Mr Raviv served as chief executive officer for Aerotel, a developer and supplier of medical devices and digital dialling platforms. From 1994 until 2015, Mr Raviv was chief executive officer of IDR International Marketing. IDR International Marketing was a business development and marketing company focusing on marketing worldwide Israeli hi-tech products. Before this, Mr Raviv was senior vice-president in international sales and marketing for Tadiran Ltd for 10 years, with responsibility in telecoms, communications and electronics. In this role, he was responsible for numerous cooperation agreements with major international companies and governmental bodies involved the sale of complete productions as well as providing insight into production and technical support. Across these roles, Mr Raviv has gained extensive knowledge in commercialising hi-tech products developed by Israeli companies to new overseas markets. Between 1995 and 2016, Mr Raviv has also been chair for a number of hi-tech companies including for Maytronics, SafePlace, BlueEye and, more recently, Eltam and Engage IoT Technologies. During Mr Raviv's time as chair for Maytronics, a public pool cleaning robotics

manufacturer, the company's annual sales grew from US$4 million in 1995 to US$25 million in 2004. While chair of SafePlace, an electronic safes company focusing on hotel chains and nursing homes, company's sales increased 10% annually. In 2008, Mr Raviv also initiated and oversaw the sales process of SafePlace to Elsafe, a subsidiary of Assa Aboy for US$27 million.

Interest in shares and Options Nil

Mrs Beth Kaplan **Non-Executive Director**

Qualifications B.Sc. and an MBA from the University of Pennsylvania's Wharton School of Business.

Experience Ms Kaplan has held a number of directorship and managerial roles for retail and technology companies. She has a deep knowledge in marketing, logistics and optimising retail operations. Ms Kaplan currently serves as a director of three public companies Meredith Corporation (media), Howard Hughes Corporation (real estate) and Crocs (footwear) and four private companies Framebridge, Leesa Sleep Limited, Care/of and Rent the Runway. Also, Ms Kaplan has been a venture partner and the managing member at Axcel Partners LLC for over ten years.

Ms Kaplan's previous senior management positions include acting as President and Chief Operating Officer for Rent the Runway, an online dress and accessory rental company, where she played a central role in overseeing finance, logistics, merchandising and retail operations. Ms Kaplan started her career at Procter and Gamble where she remained for 16 years with her final position being President of the US cosmetics business. Also, as president of General Nutrition Centres, Ms Kaplan was a part of the team responsible for listing the company on the New York Stock Exchange in April 2011.

Interest in shares and Options 51,718,791 shares

Mr Michael Hughes **Non-Executive Director**

Qualifications Masters of Applied Finance from Macquarie University and a Bachelor of Arts degree from the University of Sydney.

Experience Mr. Hughes has over 30 years experience across the finance sector including investment management, investor relations and commercial banking. Between 2014 and 2020 he served as commercial director of SeaLink Travel Group, a leading transport and tourism company listed on the ASX.

Mr Hughes is currently chairman of Wiseway Group (ASX: WWG), a freight and logistics company. Mr. Hughes' previous management

	positions include Head of the AMP Small Companies Fund, and Head of Corporate Finance at Ord Minnett Limited, a leading Australian stockbroking and wealth management firm.
Interest in shares and Options	Nil

Former Directors' Details

Mrs Sophie Raven	**Non-Executive Director (Resigned 31 August 2020)**
Interest in shares and Options (at date of resignation)	Nil

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

	Number eligible to attend	Number attended
Mr Arik Schor	6	6
Mrs Tzipi Avioz	11	11
Mr Yoram Ben Porat	11	11
Mrs Beth Kaplan	10	11
Mr Isaac Raviv	11	11
Mrs Sophie Raven	5	8
Mr Michael Hughes	11	11

State of Incorporation

The Company is incorporated in Israel under the Israeli Companies Law. As a foreign company registered in Australia, the Company is subject to different reporting regime than Australian companies.

Options

Grant Date	Expiry Date	Exercise Price	Number under option
11 March 2018	11 March 2028	$0.20	19,427,064
16 November 2018	16 November 2021	$0.42	4,170,000
25 January 2021	25 January 2022	$0.32	6,562,502

During the year ended 31 December 2020 no options were exercised.

Performance Rights

As at the date of this report there were 11,563,732 performance rights on issue. The performance rights will vest upon the attainment of the following two criteria;

1. Volume of product – Innovendi Kit sold and
2. Country or region.

The below tables set out the number of performance rights that will vest upon reaching each milestone:

Country or Region	Volume of Innovendi Kit sold	Performance Rights percentage which will vest
Israel	800	10%
China	2,000	25%
USA	2,000	25%
Western Europe	2,400	30%
Australia	400	5%
Eastern Europe (outside of Western Europe)	400	5%

Notwithstanding that the relevant milestone has not been satisfied, the performance rights will vest upon the occurrence of either:

A tender offer being made under the Companies Law in Israel in respect of the company and the offeror acquires more than 50% of the voting rights in the Company; or

The Company enters into a merger transaction under the Companies Law which results in a change if control of the Company or its amalgamation with another company or companies. No performance rights have vested as at the date of this report.

Indemnifying Officers

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure directors and officers against any liability which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance premiums

During the period the Company maintained insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract the nature of the liabilities insured against and the premium paid cannot be disclosed.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Non-audit Services

During the year, BDO Ziv Haft the Company's auditor did not provide any services other than their statutory audits.

Shekel Brainweigh Ltd
Directors' Report
31 December 2020

Future Developments, Business Strategies and Prospects

For the Retail Innovation Division, the Company will increase marketing efforts to penetrate large markets for smart vending and autonomous shopping solutions. Strengthening existing strategic relationships with multinational giants such as Hitachi, Intel and Madix will be key to Shekel's strategy.

Encouragingly, pilots are ongoing for the new technologies, alongside sales efforts with key retailers located in Israel, Europe and US.

The Company will also focus on improving gross profit of Shekel Scales through sales to its core customers, advancing Fast-Track, its latest shelf checkout solution, and expanding its own Healthweigh® line.

Corporations Act 2001

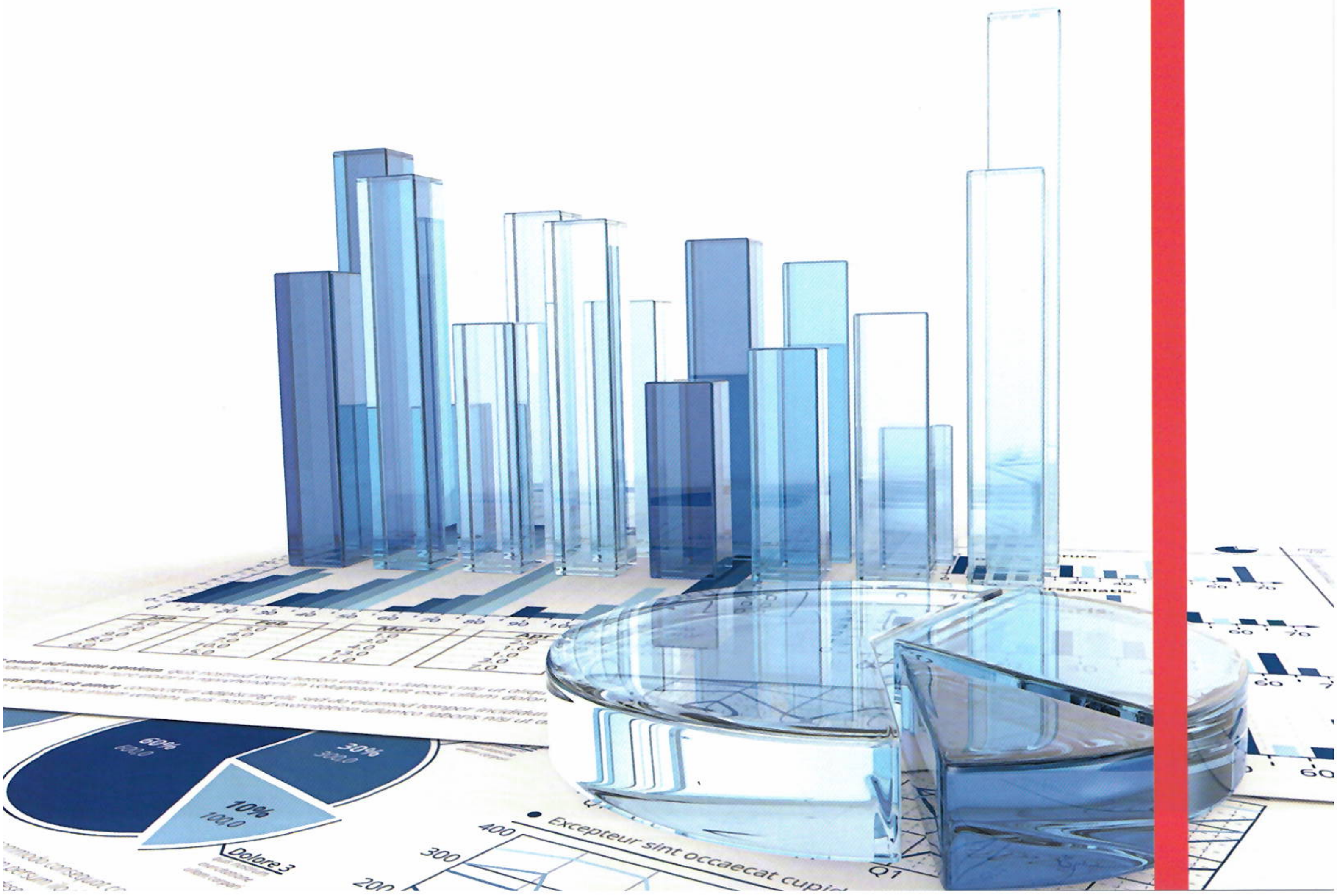
As a foreign company registered in Australia, the Company will not be subject to Chapters 6a, 6B and 6C of the Corporations Act dealing with the acquisition of shares (eg. Substantial holders and takeover).

Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. Otherwise, the acquisition of the company's securities are generally not restricted by the company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

Arik Schor
Chairman and CEO

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020



SHEKEL BRAINWEIGH LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020

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Unless otherwise stated, all amounts are stated in thousands of U.S dollars

Independent Auditors' Statements to Shareholders of Shekel Brainweigh Ltd.

Opinion

We have audited the accompanying consolidated financial report of Shekel Brainweigh Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2020, the related statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2020, and notes to the consolidated financial report, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial report present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020, its financial performance, changes in equity and its cash flows for the year ended December 31, 2020 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 report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial report in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 report of the current period. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Head Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv 6618001, ISRAEL Email: bdo@bdo.co.il Our Site: www.bdo.co.il

Loans to related parties	*How the matter was addressed in our audit*
Loans to related parties amounted to USD 454 thousand as of December 31, 2020. The related disclosure appears in Note 9 to the consolidated financial report. During the years 2014-2016, the Company entered into loan agreements with its shareholders, amounting to USD 850 thousand. The loans bear interest as set forth in section 3 of the Israeli Income Tax Ordinance. Before the IPO, in November 2018, the shareholders committed that the loans will be repaid as soon as the one year block period will end and the shareholders will hold marketable shares of the Company post IPO, or as dividend will be distributed, the earlier between the two events. In November 2019, due to the fact that the Company's share price decreased, the shareholders informed the Company that the loan repayment will occur once the price of the Company's marketable shares will reach the IPO price. The terms of the original agreement have not been changed but the credit risk of the loan to the shareholders has increased substantially. The Company measures the loans to related parties according to the amortized cost model. Measurment of the expected credit loss is a judgmental accounting area which requires assumptions. There is a risk in the consolidated financial statements that the Company may incorrectly measure the expected credit loss and incorrectly recognize and/or inappropriately disclose.	Our procedures in respect of this area included: • Inspection of the terms of the loans according to the loans' agreements. • Evaluating the accounting treatment of the loans. • Evaluating management's calculation of the repayment scenarios in accordance with the loans agreements. • Holding discussions with key management personnel to understand management's key assumptions over the expected credit risk and the calculation methodology. • Evaluating, with our valuation experts, the calculation of the expected credit loss. Agreed the key assumptions, inputs to the calculations, where appropriate, to external data. • Examining the adequacy of the Company's disclosure regarding the loan, which is included in Note 9 of the consolidated financial report.

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During 2020 the Company recorded a decrease in the expected credit loss which was recognize in previous years in the amount of USD 210 thousand according to an external third-party appraiser's valuation following the increase of the Company's ordinary share price.	

Other information

The directors and management of the Company are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended December 31, 2020, but does not include the consolidated financial report and our auditor's report thereon. Our opinion on the consolidated financial report 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 report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 the management and directors for the Financial Statements

The directors and management of the Company are responsible for the preparation and fair presentation of these consolidated financial report in accordance with IFRSs, and for such internal control as directors and management determines is necessary to enable the preparation of financial report that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial report, the directors and the management are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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BDO

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial report as a whole is 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial report.

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

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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 audits.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial report 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.

Lior Shahar
Partner
Tel-Aviv, Israel
March 30, 2021

BDO Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current Assets:			
Cash and cash equivalents		1,478	2,574
Trade accounts receivable, net	4	5,432	5,833
Other accounts receivable	5	1,287	1,299
Inventories	6	3,464	3,465
Loan to related parties	9	454	233
		12,115	13,404
Non-Current Assets:			
Right of use assets, net	19	2,044	2,426
Property, plant and equipment, net	7	567	572
Intangible assets, net	8	2,304	3,242
		4,915	6,240
Total Assets		17,030	19,644

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

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2020	December 31, 2019
LIABILITIES AND EQUITY			
Current Liabilities:			
Short term loans	11	4,847	4,059
Trade accounts payable		2,190	1,465
Other accounts payable	10, 19	2,743	2,572
		9,780	8,096
Non-Current Liabilities:			
Lease liabilities	19	1,621	1,805
Employee benefits, net		290	263
Liability for royalties payable	22	10	25
		1,921	2,093
Equity	13		
Equity attributable to owners of the parent:			
Share capital and premium		7,739	7,739
Foreign exchange reserve		25	8
Share based payment reserve		2,089	1,834
Retained losses		(5,013)	(535)
Total equity attributable to owners of the parent		4,840	9,046
Non - controlling interest		489	409
Total Equity		5,329	9,455
Total Liabilities And Equity		17,030	19,644

Arik Schor CEO	Barak Nir CFO	March 30, 2021 Date of approval of financial statements

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

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenues	14	18,306	18,817
Cost of revenues	15	11,335	10,596
Gross profit		6,971	8,221
Research and development expenses	16	4,153	3,472
Selling and marketing expenses	17	2,660	2,296
General and administrative expenses	18	4,094	4,077
Expected credit losses (benefit)	9	(210)	698
Operating loss		(3,726)	(2,322)
Financial income		44	40
Financial expense		767	797
Loss before tax		(4,449)	(3,079)
Tax on income (benefit)	20	(38)	256
Loss for the year		(4,411)	(3,335)
Other comprehensive income (loss), net of tax:			
Items that will or may be reclassified to profit or loss:			
Exchange gains (losses) arising on translation of foreign operations		55	(6)
Total comprehensive loss for the year		(4,356)	(3,341)
Profit (loss) for the year attributed to:			
Owners of the parent		(4,453)	(3,410)
Non - controlling interest		42	75
		(4,411)	(3,335)
Total comprehensive income (loss) for the year attributed to:			
Owners of the parent		(4,436)	(3,410)
Non - controlling interest		80	69
		(4,356)	(3,341)
Basic and diluted loss per share	13	$(0.03)	$(0.02)

The accompanying notes are an integral part of the financial statements

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollar in thousands)

	Equity attributable to owners of the parent						
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained earnings (losses)	Total	Non-controlling interest	Total
Balance at January 1, 2019	7,739	8	1,265	2,899	11,911	340	12,251
Changes during 2019:							
Profit (loss) for the year	-	-	-	(3,410)	(3,410)	75	(3,335)
Other comprehensive loss	-	-	-	-	-	(6)	(6)
Total comprehensive income (loss)	-	-	-	(3,410)	(3,410)	69	(3,341)
Share based payment	-	-	569	-	569	-	569
Benefit to owners	-	-	-	(24)	(24)	-	(24)
Balance at December 31, 2019	7,739	8	1,834	(535)	9,046	409	9,455
Changes during 2020:							
Profit (loss) for the year	-	-	-	(4,453)	(4,453)	42	(4,411)
Other comprehensive income	-	17	-	-	17	38	55
Total comprehensive income (loss)	-	17	-	(4,453)	(4,436)	80	(4,356)
Share based payment	-	-	255	-	255	-	255
Benefit to owners	-	-	-	(25)	(25)	-	(25)
Balance at December 31, 2020	7,739	25	2,089	(5,013)	4,840	489	5,329

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

	Year ended December 31, 2020	Year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(4,411)	(3,335)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,799	1,011
Decrease (increase) in trade accounts receivable, net	401	(260)
Decrease (increase) in other accounts receivable	12	(660)
Decrease (increase) in inventories	1	(262)
Increase (decrease) in trade accounts payable	725	(414)
Increase in other accounts payable	283	364
Increase in employee benefits	27	34
Increase (decrease) in liability for royalties payable	(15)	4
Financial income charged to equity	(25)	(24)
Financial expenses, net	339	260
Capital loss from sale of property, plant and equipment	18	13
Expected credit losses (benefit)	(210)	698
Impairment of intangible assets	471	161
Share based payment	255	569
Taxes on income, net	-	174
Net cash used in operating activities	(330)	(1,667)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(464)	(237)
Proceeds from sale of property, plant and equipment	-	5
Acquisition of software	-	(140)
Capitalized development costs	-	(1,294)
Net cash used in investing activities	(464)	(1,666)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal paid on lease liabilities	(795)	(614)
Receipt (payment) of short term loans, net	438	(243)
Net cash used in financing activities	(357)	(857)
Net decrease in cash and cash equivalents	(1,151)	(4,190)
Cash and cash equivalents at the beginning of the year	2,574	6,770
Effects of exchange rate changes on cash and cash equivalents	55	(6)
Cash and cash equivalents at the end of the year	1,478	2,574

SHEKEL BRAINWEIGH LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

APPENDIX A - NON-CASH ACTIVITIES:

	Year ended December 31, 2020	Year ended December 31, 2019
Recognition of right of use assets and lease liabilities	499	1,003

APPENDIX B - AMOUNTS PAID DURING THE YEAR FOR:

	Year ended December 31, 2020	Year ended December 31, 2019
Interest paid	171	396
Income tax paid	36	170

The accompanying notes are an integral part of the financial statements

NOTE 1 - GENERAL:

- Shekel Brainweigh Ltd. (hereinafter, the "Company”) was incorporated in March, 2018 in Israel. The Company and its subsidiaries (together, the “Group”) is one of the global leader of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.
- In August 2018, Shekel Scales (2008) Ltd., the Company's subsidiary (the "Subsidiary"), entered into a share exchange agreement (the "Share Exchange Agreement") with the Company and its shareholders. According to the Share Exchange Agreement, prior to the Company's listing on the Australian Securities Exchange ("ASX"), the Company acquired 100% of the issued shares of the Subsidiary and the shareholders of the Subsidiary received shares of the Company in consideration.
- The Company was admitted to the official list of the ASX on November 16, 2018, with its ordinary fully paid shares having commenced trading on November 20, 2018. The Company raised AUD 10,150,000 (approximately 7,349) pursuant to the offer by the issuance of 29,000,000 shares at an issue price of AUD 0.35 per share.
- The novel coronavirus (“COVID-19”) has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The COVID-19 pandemic has disrupted global supply chains and adversely impacted many different industries for most of 2020. COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of continued global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the extent and the duration of the economic impact of COVID-19. COVID-19 therefore presents material uncertainty and risk with respect to the global economy, including the Group and its performance and could affect the Group’s future financial results in a materially adverse way.

  To date, COVID-19 had no material effect on the Group's financial position, since the Group has taken certain actions, however the effects on the activity were as follows:

  1. In 2020, 22% of employees were on unpaid-leave for 6 to 12 weeks. Board members and shareholders employed by the Company have taken 30% pay cut form their salary for 90 to 120 days. During the period between March to May, the Company reduced the salaries and working time of its employees by 20% except for employees under the production line.
  2. During June to September, the Chinese subsidiary, Shekel (Ningbo) Scales Ltd.'s reduced its activity by 25%. The salaries of the Chinese subsidiary employees were reduced by average of 15%.

NOTE 1 - GENERAL (CONT.):

3. Decreased demand for certain of the Group's retail products as a consequence of social distancing requirements and recommendations. It should be noted that the Group's revenue for the year ended December 31, 2020 has not been materially decreased in comparison to the year ended December 31, 2019 due to an increased demand for other products, especially the medical device products.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”). The financial statements have been prepared under the historical cost convention. The Group has elected to present the statements of comprehensive income using the function of expense method. In addition, these consolidated financial statements are presented in US Dollars. All currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Basis of consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the Group has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights.

The consolidated financial statements of the Group include the accounts of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies were eliminated in full. The consolidated financial statements of the Group include the accounts of the companies detailed in Note 25.

Non-controlling interests

The Group recognizes any non-controlling interest in its acquisitions on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid or received and the relevant share acquired or sold of the carrying value of net assets of the subsidiary is recorded in equity.

Total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year which they are identified. Actual results could differ from those estimates. See also Note 3.

Leases

The Group applied IFRS 16 with a transition date of January 1, 2019. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, excluding leases where the lease term is 12 months or less, or where the underlying asset is of low-value. These leases expenditures are recognized on a straight-line basis over the lease term. The Group does not have significant leasing acting as a lessor. IFRS 16 provides for certain optional practical expedients, including those related to the initial application of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application and do not contain a purchase option.

On initial application of IFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases of office facilities and motor vehicles. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 3.83%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Leases (cont.)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted if it is reasonable certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the underlying asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining useful life of the right of use asset, if rarely, this is judged to be shorter than the lease term. In the scenario that the measurement of lease liabilities takes into consideration the purchase option the Group will amortize the right of use assets over the underlying asset's useful life. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the Group's assessment of the term of any lease. The remeasurement being recognized in front of the right of use assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Foreign currency

The consolidated financial statements are prepared in US Dollars (the functional currency). Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

Foreign currency transactions

Transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the consolidated statements of financial position date;
- Exchange gains and losses from the aforementioned conversion are recognized in profit or loss.
- Income and expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange at the time of the transaction.

Foreign operations

On consolidation, the results of foreign operations are translated into US Dollars at exchange rates ruling when the transactions took place. All assets and liabilities of foreign operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date.

Exchange rate differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate of exchange are recognized in other comprehensive income and accumulated in the foreign exchange reserve. Exchange differences recognized in profit or loss in the Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation. On disposal of a foreign operation, the cumulative exchange differences recognized in the foreign exchange reserve relating to that operation up to the date of disposal are classified to profit or loss as part of the profit or loss on disposal.

Cash equivalents

Cash equivalents are considered by the Group to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or

B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When there are no quoted prices in active markets for identical assets or liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification by fair value hierarchy

Assets and liabilities measured in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments

1. <u>Financial assets</u>

   The Group classifies its financial assets into the following category, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Group's accounting policy for the relevant category is as follows:

   Amortized cost: These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue (excluding trade accounts receivable which are initially recognized at transaction price) and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade accounts receivable and loan to related parties are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade accounts receivable and loan to related parties is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables or loan to related parties. Such provisions are recorded in a separate provision account with the loss being recognized in the consolidated statement of comprehensive income. On confirmation that the amount will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. <u>Financial Liabilities</u>

   The Group's accounting policy for its financial liabilities is as follows:

   Amortized cost: other financial liabilities include the following items: bank borrowings, trade accounts payable and liability for royalties payable are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):
Financial instruments (cont.)

2. Financial Liabilities (cont.)

   Trade accounts payable and other accounts payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

3. De-recognition

   - Financial assets - The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.
   - Financial Liabilities - The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

4. Impairment of financial assets

   The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group's assessed its financial assets that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Intangible assets

Intangible assets include internally generated capitalized development costs (see also Note 2-Research and development costs). Intangible assets with a finite useful life are amortized over their useful life. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end and adjustments, where applicable, are made on a prospective basis. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable (see also Note 2-Impairment of non-financial assets).

The Group's goodwill is not being amortized. Subsequent expenditure on capitalized intangible assets is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

Internally generated capitalized development costs are amortized on a straight-line basis over their estimated useful lives of five years once the development is completed and the assets are in use.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost including directly attributable costs. Depreciation is calculated on a straight line basis, over the useful lives of the assets at annual rates as follows:

	Annual depreciation rate (%)	Main annual depreciation rate (%)
Vehicles	15-20	20
Electronic equipment and software	10-20	10
Furniture and equipment	6-33	33

Leasehold improvements are depreciated over the term of the expected lease including optional extension, or the estimated useful lives of the improvements, whichever is shorter. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets’ residual values, depreciation rates, and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. At each reporting period the Group examined indicators for impairment. If indicators exist – impairment test is performed (see also Note 2- impairment of non-financial assets). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Impairment of non-financial assets

Non-financial assets excluding inventories are subject to impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly. Non-financial assets and goodwill with indefinite useful life or assets that are yet being in use are tested for impairment on a yearly basis and also when there is an indication for impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

An impairment loss allocated to asset, besides goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and the assets recoverable amount. After an impairment of non-financial asset is recognized, the Group examines at each reporting date whether there are indications that the impairment which was recognized in the past no longer exists or should be reduced excluding the impairment of goodwill. The reversal of impairment loss of an asset is recognized in profit or loss. In case of the impairment of goodwill, it cannot be reversal.

Inventories

Inventories are recognized at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Group measures cost of raw materials and work in process on First In First Out ("FIFO") basis and finished goods according to costs based on direct costs of materials and labor and allocation of indirect expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure on internally developed products is capitalized if it can be demonstrated that:

- The product is technically and commercially feasible.
- Adequate resources are available to complete the development.
- There is an intention to complete the product so that it will be available for use or sale.
- The Group is able to sell or use the product.
- Use or sale of the product will generate future economic benefits, and
- Expenditure on the project can be measured reliably.

Development expenditure not satisfying all the above criteria are recognized in the consolidated statement of comprehensive income as incurred.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

The Company has incurred losses. Deferred tax assets relating to carry forward losses in the financial statements being recognized only when their utilization in the foreseeable future is probable.

Earnings per share

Earnings per share is calculated by dividing the net profit attributable to owners of the parent, by the weighted number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Liability for royalties payable

The Group measured its governmental liabilities on grants received, each period, based on discounted cash flows derived from Group's future anticipated revenues.

Provision for warranty

The Group generally offers up to one year warranty on its products. The Group records the provision for warranty based on past experience.

Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

- Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the product.
- Revenues from services are recognized at the point in time when the service has been fully provided.

Employee benefits

The Group has several employee benefit plans:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.
2. Post-employment benefits: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. In Israel, the Group funds for most of its employee’s contribution plans pursuant to Section 14 to the Severance Pay Law since 2004 under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Employee benefits (cont.)

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution. The Group also operates for some employees an immaterial defined benefit plan in respect of severance pay pursuant to the Severance Pay Law.

Segment reporting

An operating segment is a component of the Group that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments.

New standards, interpretations and amendments not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 1 - presentation of financial statements

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently evaluate the impact of IAS 1 amendments, however, at this stage it is unable to assess such impact.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group’s earnings and financial position are: capitalization and amortization of development costs and the useful life of property and equipment and share based payment.

Share based payment

The Group has a share based remuneration scheme for employees. The fair value of share options was estimated by using a Monte-Carlo simulation approach, which was aimed to model the value of the Company's equity over time. The simulation approach was designed to take into account the unique terms and conditions of the performance shares and share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are described in Note 13 and include, among others, expected volatility, the dividend growth rate and expected term. The fair value of the equity settled options granted is charged to statement of comprehensive income over the vesting period of each tranche and the credit is recognized in equity, based on the Company's estimate of shares that will eventually vest.

Amortization of capitalized development costs

Intangible assets are amortized or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the consolidated statement of comprehensive income in specific periods.

(US Dollar in thousands)

NOTE 4 - TRADE ACCOUNTS RECEIVABLE, NET:

Composition:

	December 31, 2020	December 31, 2019
Trade accounts receivable	5,463	5,894
Less: impairment allowance for trade accounts receivable	(31)	(61)
	5,432	5,833

Aging analysis of trade accounts receivable:

	More than 90 days	60-90 days	30-60 days	Up to 30 days	Current	Total
Balance as of December 31, 2020	-	22	356	618	4,467	5,463
Balance as of December 31, 2019	469	275	693	1,265	3,192	5,894

NOTE 5 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2020	December 31, 2019
Institutions	666	544
Advances to suppliers	316	134
Prepaid expenses	233	251
Related parties	67	53
Others	5	317
	1,287	1,299

(US Dollar in thousands)

NOTE 6 - INVENTORIES:

	December 31, 2020	December 31, 2019
Raw materials	2,004	2,113
Work in process	139	188
Finished goods	1,321	1,164
	3,464	3,465

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Leasehold improvements	Furniture and equipment	Vehicles	Electronic equipment and software	Total
Cost:					
As of January 1, 2020	80	912	83	1,165	2,240
Additions	34	348	-	82	464
Disposals	-	-	-	(43)	(43)
As of December 31, 2020	114	1,260	83	1,204	2,661
Accumulated depreciation:					
As of January 1, 2020	(8)	(667)	(51)	(942)	(1,668)
Additions	(19)	(516)	(18)	102	(451)
Disposals	-	-	-	25	25
As of December 31, 2020	(27)	(1,183)	(69)	(815)	(2,094)
Net Book Value:					
As of December 31, 2020	87	77	14	389	567

(US Dollar in thousands)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET (CONT.):

	Leasehold improvements	Furniture and equipment	Vehicles	Electronic equipment and software	Total
Cost:					
As of January 1, 2019	48	792	107	1,120	2,067
Additions	38	124	15	60	237
Disposals	(6)	(4)	(39)	(15)	(64)
As of December 31, 2019	80	912	83	1,165	2,240
Accumulated depreciation:					
As of January 1, 2019	(9)	(583)	(63)	(866)	(1,521)
Additions	(4)	(86)	(16)	(87)	(193)
Disposals	5	2	28	11	46
As of December 31, 2019	(8)	(667)	(51)	(942)	(1,668)
Net Book Value:					
As of December 31, 2019	72	245	32	223	572

(US Dollar in thousands)

NOTE 8 - INTANGIBLE ASSETS, NET:

	December 31, 2020	December 31, 2019
Internally generated capitalized development costs	2,062	3,000
Acquired technology	140	140
Goodwill	102	102
	2,304	3,242

Internally generated capitalized development costs are amortized on a straight-line basis over their estimated useful lives of five years once the development is completed and the assets are in use.
During the years ended December 31, 2020 and 2019, the Group recognized impairment in the amount of 471 and 161, respectively, in behalf of the internally generated capitalized development costs (PC Scale). In 2020, the Group has begun the amortization for its remaining internally generated capitalized development costs (Smart Shelf). The total amount of amortization recorded during the year is 467.

The Group has not yet begun amortization for its acquired technology as it is not ready for use as of December 31, 2020. In order to estimate the fair value of the acquired technology, the Group used a discounted cash flows approach. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The valuation performed by an external valuator based on management's assumptions.
The following key assumptions were used in the valuation work performed:
<u>Acquired technology:</u>

- 23% Pre-tax cash flow discount rate;
- 5% Royalty rate;
- 10 years expected life;
- Revenue projection based on management plans for 4 years, and decreasing over last 6 years;

NOTE 9 - LOANS TO RELATED PARTIES:

During the years 2014 - 2016, the Group signed an agreement with a shareholder (the "Borrower"), according to which it had agreed to loan the Borrower an amount of approximately NIS 3,220 thousand (831). The loan bears interest rate specified in section 3 of the Israeli Income Tax Ordinance. The loan was provided in NIS and will be repaid as the Borrower will hold unblocked marketable shares of the Company post IPO, or as dividend will be distributed, the earlier between the two events. As of December 31, 2019, after the shares were unblocked and the borrower could sell share and repay the loan, the Borrower informed the Group that the repayment will occur once the price of the Company's marketable shares will reach the IPO price. The terms of the original agreement have not been changed due to the fact that no amendment was signed between the Group and the Borrower, but the credit risk of the loan has increased substantially. Therefore, the Group recorded a provision for expected credit loss according to an external valuation. The accrued interest on the loan recorded against equity as benefit to owners.

During the year ended December 31, 2020, the Group recognized a decrease in the expected credit loss in the amount of 210. During the year ended December 31, 2019, the Group recognized an increase in the expected credit loss in the amount of 698.

(US Dollar in thousands)

NOTE 10 - OTHER ACCOUNTS PAYABLE:

	December 31, 2020	December 31, 2019
Employees, salaries and related liabilities	925	624
Current portion of lease liabilities	713	825
Provision for vacation	378	254
Accrued expenses	265	377
Customers advances	265	26
Tax authorities	83	4
Institutions	61	346
Provision for warranty	37	103
Others	16	13
	2,743	2,572

NOTE 11 - SHORT TERM LOANS:

1. During the years 2020 and 2019, the Subsidiary (Shekel Scales (2008) Ltd.) received two short-term loans from two different banks in Israel. The loans were received in NIS and bears interest of 2.75%-3.2% per annum. As of December 31, 2020, and 2019 the total amount of the two short-term loans is 4,356 and 4,059, respectively.

   As of December 31, 2020, the Subsidiary did not meet one of the covenants set for by the banks (the ratio of equity to total assets). The bank may apply for repayment of the loan if the Company do not meet the covenants.

   Following the balance sheet date, in January 2021, the Group raised an amount of approximately 1,622 (see also Note 26) through the issuance of ordinary shares of the Company. The proceeds were invested by the Company in the Subsidiary through investment in the Subsidiary's shares. Based on these proceeds, the Subsidiary complies with all the relevant loans covenants following the balance sheet date.

   One of the loans renewal date occurred after the balance sheet date, in February 2021, and the loan was renewed for another year by the bank.

2. In April 2020, Abilanx, the French subsidiary, received a loan in the amount of Euro 400 thousand from the French government due to COVID-19 pandemic. According to the terms of the loan, it will be repaid after 12 months from the funding date. The loan has a maturity of one year and bears interest rate of 0%. As of December 31, 2020, the loan amounted to 491.

(US Dollar in thousands)

NOTE 12 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows:

	Short term loans
As of January 1, 2020	(4,059)
Changes from financing cash flows:	
Receipt of loan from the French government	(435)
Receipt of short term loans	(4,005)
Payment of short term loans	4,002
Payment of short term loans, net	(438)
Accrued interest expenses	(126)
Interest paid	131
Exchange rate differences	(355)
As of December 31, 2020	(4,847)

	Short term loans
As of January 1, 2019	(3,970)
Changes from financing cash flows:	
Receipt of short term loans	(3,862)
Payment of short term loans	4,105
Payment of short term loans, net	243
Accrued interest expenses	(134)
Interest paid	134
Exchange rate differences	(332)
As of December 31, 2019	(4,059)

(US Dollar in thousands)

NOTE 12 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT.):

	Lease liabilities
At January 1, 2020	(2,630)
Additions	(499)
Accretion of interest	(40)
Interest payment	40
Principal payment	795
As at December 31, 2020	(2,334)

	Lease liabilities
At January 1, 2019	-
IFRS 16 implementation	(2,241)
Additions	(1,003)
Accretion of interest	(262)
Interest payment	262
Principal payment	614
As at December 31, 2019	(2,630)

NOTE 13 - EQUITY:

Shekel Brainweigh Ltd. was admitted to the official list of ASX on November 16, 2018, with its ordinary fully paid shares having commenced trading on November 20, 2018. The Company raised AUD 10,150,000 (approximately 7,349) pursuant to the offer by the issue of 29,000,000 shares at an issue price of AUD 0.35 per share**.** Issuance expenses amounted to 1,406.

Composed as follows as of December 31, 2020 and 2019:

	Authorized	Issued and outstanding
	Number of shares as of December 31, 2020 and 2019	
Ordinary shares par value of NIS 0 per share	400,000,000	139,000,000

Ordinary shares confer upon their holders the rights to receive notice to participate and vote in general meeting of the Group, and the right to receive dividends if declared. As of share issuance See also Note 26.

Share based payment:

On February 7, 2018 the Group established a share option plan (the "Plan"). Under the Plan a total of 19,427,046 options to subscribe ordinary shares have been granted to 3 employees. The options have an exercise price per share of 0.2 AUD. The vesting period is up to 4 years from the grant date, according to the following: 25% will vest within one year from grant date, 6.25% will vest equally at the end of each quarter starting the following quarter.

Contractual life of the options under the Plan is 4 years. The options were granted under section 102 of the Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise.

(US Dollar in thousands)

NOTE 13 - EQUITY (CONT.):

Share based payment (cont.):

The fair value of share options was estimated by using a Monte-Carlo simulation approach, which was aimed to model the value of the Company's assets over time. The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

– The expected volatility of the existing business is 20%, the expected volatility of the PC Scale is 40% and the expected volatility of the Smart Shelf is 50%.

– The dividend growth rate 0%,

– Expected term - 5.5 years

The valuation performed by an external valuator based on management's assumptions.

- On November 2018 the Group has granted the lead manager of the Company's IPO, a total of 4,170,000 options to subscribe ordinary shares. The options have an exercise price of 0.42 AUD each will vest 2 years after the Company's IPO and may be executed up to later than 3 years after the Company's IPO.

The options to employees and to the lead manager outstanding as of December 31, 2020 and 2019 are comprised, as follows:

	Year ended December 31, 2020	
	Number of options	**Weighted average Exercise price**
Outstanding at beginning of year	23,597,046	$ 0.167
Granted	-	-
Outstanding at end of year	23,597,046	$ 0.185
Exercisable options	17,526,094	$ 0.185

	Year ended December 31, 2019	
	Number of options	**Weighted average Exercise price**
Outstanding at beginning of year	23,597,046	$ 0.183
Granted	-	-
Outstanding at end of year	23,597,046	$ 0.167
Exercisable options	8,499,333	$ 0.167

(US Dollar in thousands)

NOTE 13 - EQUITY (CONT.):

Performance rights:

Upon listing on the ASX, the Group granted 11,563,732 performance rights (the "Performance Rights") to subscribe ordinary shares of the Company to four employees. The Performance Rights may be converted to ordinary shares on satisfaction of certain milestones, the number of Performance Rights which will vest depend upon two criteria:

1. Volume of product - Innovendi Kit, which the Group sells; and
2. Country or region.

Following is a table describing the number of Performance Rights which will vest upon reaching each milestone:

Country or region	Volume of Innovendi Kit sold	Performance Rights percentage which will vest
Israel	800	10%
China	2,000	25%
USA	2,000	25%
Western Europe	2,400	30%
Australia	400	5%
Eastern Europe (outside of western Europe)	400	5%

Notwithstanding that relevant milestone has not been satisfied, the Performance Rights will vest upon the occurrence of either:

1. A tender offer being made under the Companies Law in respect of the Company and the offeror acquires more than 50% of the voting rights in the Company; or
2. The Company entering into a merger transaction under the Companies Law which results in a change in control of the Company or its amalgamation with other company or companies.

As of December 31, 2020, the Group do not expect to reach any of the specified milestones therefore the Performance Rights are yet to vest. The achievement of these milestones has 5 year limit in which the performance rights will lapse unless milestone will be achieved.

(US Dollar in thousands)

NOTE 13 - EQUITY (CONT.):

Loss per share

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial periods, the weighted average number of equity shares in issue and profit for the period as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Loss for the year attributed to owners of the parent	(4,453)	(3,410)
Weighted average number of ordinary shares	139,000,000	139,000,000
Basic and diluted loss per share	$ (0.03)	$ (0.02)

NOTE 14 - REVENUES:

Revenues arises from:

	Year ended December 31, 2020	Year ended December 31, 2019
Sale of goods	14,992	15,533
Services	3,314	3,284
	18,306	18,817

Revenue from sale of good or services is recognized at the point of when control of the goods or services are transferred to the customer**.**

NOTE 15 - COST OF REVENUES:

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of scales and raw materials	7,322	7,327
Salary and related expenses	2,771	2,442
Depreciation	548	432
Intangible asset amortization	467	-
Vehicle maintenance	97	52
Office maintenance	103	132
Change in inventories	1	113
Others	26	98
	11,335	10,596

(US Dollar in thousands)

NOTE 16 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
Salary and related expenses	2,578	2,099
Materials, subcontractors and related expenses	514	281
Impairment of internally generated capitalized development costs	471	161
Share based compensation	255	569
Depreciation	286	285
Vehicle maintenance	85	134
Office maintenance	24	88
Grant received	(60)	(145)
	4,153	3,472

NOTE 17 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
Salary and related expenses	1,608	1,482
Exhibitions, materials and promotions	368	196
Depreciation	229	103
Vehicles maintenance	97	164
Travel abroad	117	139
Office maintenance	67	95
Transportation and deliveries	174	113
Others	-	4
	2,660	2,296

(US Dollar in thousands)

NOTE 18 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
Salary and related expenses	1,848	1,660
Professional fees	870	1,035
Office maintenance	332	239
Management fees	299	318
Depreciation	269	191
Directors fees	244	186
Vehicles maintenance	99	122
Travel abroad	39	134
Others	94	192
	4,094	4,077

NOTE 19 - LEASES:

The Group has lease contracts for office facilities and vehicles used in its operations. Leases of office facilities generally have lease terms of between 2 and 8 years and vehicles generally have lease terms between 2 and 3 years. The Subsidiary has lease contracts for office facilities with related parties (See also Note 23). The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised in assessing the lease terms.

The Group also has lease of office facility with lease terms of 12 months or less. The Group applies the 'short term lease' recognition exemption for this lease.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Office facilities	vehicles	Total
At January 1, 2020	1,935	491	2,426
Additions	-	499	499
Depreciation expense	(415)	(466)	(881)
As at December 31, 2020	1,520	524	2,044

(US Dollar in thousands)

NOTE 19 - LEASES (CONT.):

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the 2019:

	Office facilities	vehicles	Total
At January 1, 2019	1,524	717	2,241
Additions	841	162	1,003
Depreciation expense	(430)	(388)	(818)
As at December 31, 2019	1,935	491	2,426

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020
At January 1, 2020	2,630
Additions	499
Accretion of interest	40
Interest payment	(40)
Principal payment	(795)
As at December 31, 2020	2,334

The following are the amounts recognized in profit or loss:

	2020
Depreciation expense of right-of-use assets	881
Interest expense on lease liabilities	40
Total amount recognized in profit or loss	921

(US Dollar in thousands)

NOTE 19 – LEASES (CONT.):

Set out below are the carrying amounts of lease liabilities and the movements during the 2019:

	2019
At January 1, 2019	2,241
Additions	1,003
Accretion of interest	262
Interest payment	(262)
Principal payment	(614)
As at December 31, 2019	2,630

The following are the amounts recognized in profit or loss:

	2019
Depreciation expense of right-of-use assets	818
Interest expense on lease liabilities	262
Total amount recognized in profit or loss	1,080

The Group had total cash outflows for leases of 835 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of 499 in 2020.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	Total
Extension options expected not to be exercised	-	-
Termination options expected to be exercised	463	463
	463	463

NOTE 20 - TAXES ON INCOME:

1. **General tax rate applicable to income in Israel:**

   Israeli corporate tax rates are 23% in 2020 and 2019**.**

   The Company in Israel has final tax assessments up until December 31, 2019.

2. **Tax benefits under the law for the Encouragement of Capital Investments, 1959:**

   The tax rate on income generated by Preferred Enterprise is 16%. The tax rate that applied to the Israeli Company's taxable income which derived from its manufacturing activities is 16% in 2020 and 2019. The tax rates that applied to the Israeli Company's taxable income which do not derived from its manufacturing activities are 23% in 2020 and 2019, according to Israeli corporate tax rates.

3. **Non - Israeli subsidiaries:**

   Non **-** Israeli subsidiaries are taxed based on tax laws in the country of domicile of subsidiary.

   The Company's major subsidiaries' general tax rates are:

   Shekel (Ningbo) Scales Ltd.: 25% in 2020 and 2019.

   Abilanx: 28% in 2020 and 2019.

(US Dollar in thousands)

NOTE 20 - TAXES ON INCOME (CONT.):

4. Composition of tax expenses (income) charged to profit or loss:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax income	53	82
Deferred tax expenses	-	174
Tax expenses of previous years	(91)	-
	(38)	256

5. Tax reconciliation:

	Year ended December 31, 2020	Year ended December 31, 2019
Loss before taxation	(4,449)	(3,079)
Theoretical tax credit at applicable statutory 2020 & 2019: 23%	(1,023)	(708)
Effect of preferred enterprise tax rate in Israel (less non - manufacturing activities) and tax rates of subsidiaries	243	206
Deferred tax asset which was not recognized or reversed	1,410	855
Non-allowable expenses	211	101
Tax expenses on behalf of previous years	(91)	-
Miscellaneous	(788)	(198)
Tax on income	(38)	256

6. Net losses carry forwards:

As of December 31, 2020, and 2019, the Group has estimated carry forward tax losses of approximately 5,761 and 4,225, respectively, which may be carried forward and offset against taxable income for an indefinite period in the future. The Group did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

(US Dollar in thousands)

NOTE 21 - OPERATING SEGMENTS:

The Group has two main divisions:

- The traditional division (hereinafter, the "Traditional Segment").
- The retail innovation division (hereinafter, the "New Technologies Segment").

Management has concluded that the New Technologies Segment should be reported separately, as it is closely monitored by the strategic chief operating decision-maker as a potential growth business segment and is expected to materially contribute to the Group's revenue in future. The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Company's board of directors and its management team including the Chief Executive Officer, Chief Operating Officer and the Finance Director.

Summarized financial information by segment, based on the Group's internal financial reporting system utilized by the Group's chief operating decision makers, follows:

<u>For the year ended December 31, 2020</u>:

	Traditional Segment	New Technologies Segment	Total
Segment revenue	18,038	268	18,306
Segment operating profit (loss)	1,132	(4,858)	(3,726)
Financial income			44
Financial expense			767
Group loss before tax			(4,449)

(US Dollar in thousands)

NOTE 21 - OPERATING SEGMENTS (CONT.):

For the year ended December 31, 2019:

	Traditional Segment	New Technologies Segment	Total
Segment revenue	18,817	-	18,817
Segment operating profit (loss)	1,325	(3,647)	(2,322)
Financial income			40
Financial expense			797
Group loss before tax			(3,079)

NOTE 22 - COMITMENTS AND CONTINGENT LIABILITIES:

Liability for royalties payable

The Group is committed to pay royalties to the Israeli government on proceeds from sales of products in China. Under the terms of the Israeli government funding program, the Group will pay royalties of 3% of the increase in sales. Royalties payment shall not exceed 100% of the grant received. As of December 31, 2020 and 2019, the liability for royalties payable is 10 and 25 respectively**.**

Liens and guarantees

To secure the Group's bank liabilities, fixed liens have been registered on the Group’s non-redeemable share capital. There is also a general lien on all Group property, its factory and all other assets and rights of any kind or type that the company currently has or will have in the future. Furthermore, there is a first-degree floating lien on all Group assets of any kind or type, as they exist or will exist in the future and on all rights stemming from the securing of the property subject of the lien.

(US Dollar in thousands)

NOTE 23 - RELATED PARTIES AND SHAREHOLDERS:

The following transactions arose with related parties:

Transaction - expenses (income)	Year ended December 31, 2020	Year ended December 31, 2019
Salary expenses – Kibbutz Beit Keshet members (shareholder)	55	86
Financial expenses paid to Kibbutz Beit Keshet (shareholder) *	186	194
Wages for directors	244	186
Management fees	299	318
Consulting expenses	227	251
Interest income from shareholders	(25)	(24)

* Office lease

Receivables from related parties

Name	Nature of transaction	December 31, 2020	December 31, 2019
Related parties (presented under loan to related parties)	Loans to shareholders	454	233
Related parties(presented under other accounts receivables)	Ongoing transactions	53	50

Liabilities to related party

Name	Nature of transaction	December 31, 2020	December 31, 2019
Related parties (presented under trade accounts payable)	Ongoing transactions	(209)	(139)

(US Dollar in thousands)

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Group is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash, trade accounts receivable and other accounts receivable, trade accounts payables and other accounts payables and loans. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Group to manage these risks are discussed below.

Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade and other receivables are carried on the statement of financial position net of doubtful debt provisions estimated by the management based on prior year experience and an evaluation of prevailing economic circumstances. Wherever possible and commercially practical the Group holds cash with major financial institutions In Israel.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	1,478	2,574
Trade accounts receivable	5,432	5,833
Other accounts receivable	738	914
Loans to related parties	454	233
Total	8,102	9,554

(US Dollar in thousands)

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the NIS, AUD, Euro and CNY. The Group’s policy is not to enter into any currency hedging transactions.

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

Assets	**December 31, 2020**				
	NIS	**AUD**	**EURO**	**CNY**	**TOTAL**
Cash and cash equivalents	314	2	742	79	1,137
Trade accounts receivable	2,912	-	900	-	3,812
Other accounts receivable	498	-	199	36	733
Loans to related parties	454	-	-	-	454
	4,178	**2**	**1,841**	**115**	**6,136**

Liabilities					
	NIS	**AUD**	**EURO**	**CNY**	**TOTAL**
Short term loans	4,356	-	491	-	4,847
Trade accounts payable	1,500	80	242	101	1,923
Other accounts payable	2,008	-	221	233	2,462
Lease liabilities	1,377	-	1	243	1,621
	9,241	**80**	**955**	**577**	**10,853**
Net	**(5,063)**	**(78)**	**886**	**(462)**	**(4,717)**

(US Dollar in thousands)

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.):

Assets	**December 31, 2019**				
	NIS	**AUD**	**EURO**	**CNY**	**TOTAL**
Cash and cash equivalents	187	1,045	419	220	1,871
Trade accounts receivable	2,483	-	902	-	3,385
Other accounts receivable	398	-	153	45	596
Loans to related parties	233	-	-	-	233
	3,301	**1,045**	**1,474**	**265**	**6,085**

Liabilities					
	NIS	**AUD**	**EURO**	**CNY**	**TOTAL**
Short term loans	4,059	-	-	-	4,059
Trade accounts payable	745	62	222	146	1,175
Other accounts payable	2,098	-	224	211	2,533
Lease liabilities	1,483	-	20	302	1,805
	8,385	**62**	**466**	**659**	**9,572**
Net	**(5,084)**	**983**	**1,008**	**(394)**	**(3,487)**

(US Dollar in thousands)

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Sensitivity analysis:

A 10% strengthening of the United States Dollar against the following currencies would have (increased) decreased equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Year ended December 31, 2020	Year ended December 31, 2019
NIS	506	508
AUD	8	(98)
EURO	(89)	(101)
CNY	46	39

Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Accordingly, the Group has a positive working capital.

(US Dollar in thousands)

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Liquidity risks (cont.):

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

At December 31, 2020	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years	Over 5 years	Total
Short term loans	4,847	-	-	-	-	4,847
Trade accounts payable	2,190	-	-	-	-	2,190
Other accounts payable	2,158	585	-	-	-	2,743
Lease liabilities	-	-	493	805	582	1,880
Liability for royalties payable	-	-	8	2	-	10
Total	9,195	591	495	807	582	11,670

At December 31, 2019	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years	Over 5 years	Total
Short term loans	4,059	-	-	-	-	4,059
Trade accounts payable	1,465	-	-	-	-	1,465
Other accounts payable	1,934	599	-	-	-	2,533
Lease liabilities	-	-	490	849	722	2,061
Liability for royalties payable	-	-	9	16	-	25
Total	7,458	599	499	865	722	10,143

(US Dollar in thousands)

NOTE 25 - SUBSIDIARIES:

The principal subsidiaries of Company, all of which have been consolidated in these consolidated financial statements, are as follows:

Entity name	Country of incorporation	Proportion of ownership interest at December 31,		Held by
		2020	2019	
Shekel Scales (2008) Ltd.	Israel	100%	100%	Shekel Brainweigh Ltd.
Shekel EU S.A	Luxemburg	100%	100%	Shekel Scales (2008) Ltd.
Shekel USA LLC	USA	100%	100%	Shekel Scales (2008) Ltd.
Shekel (Ningbo) Scales Ltd.	China	100%	100%	Shekel Scales (2008) Ltd.
Shekel Shanghai Trading Co. Ltd.	China	100%	100%	Shekel EU S.A
Abilanx	France	60%	60%	Shekel EU S.A
Goopi Ltd	UK	100%	100%	Shekel Scales (2008) Ltd
Goopi SARL	Luxemburg	100%	100%	Goopi Ltd

NOTE 26 - SUBSEQUENT EVENTS:

In January 2021, the Company raised AUD 2,100,000 (approximately 1,622) through the issuance of 13,125,000 fully paid ordinary shares at an issuance price of AUD 0.16 per share and one free attaching option (exercisable at AUD 0.32 per option, expiring 12 months from the date of issue) for every two shares issued under the Placement (6,562,500 options). The issuance was led by a lead manager who received a fee of 6% of the total funds raised and one share per 2 USD raised (1,050,000 fully paid ordinary shares) and, subject to shareholder approval at a future general meeting, be issued 15,000,000 options, exercisable at AUD 0.32 on or before 24 months following the issuance date.