

SHEKEL BRAINWEIGH LTD.

Appendix 4D

Half-year report for the period ended June 30, 2021.

1. Entity details

Name of entity:	SHEKEL BRAINWEIGH LTD. ("the consolidated entity")
ARBN:	625 669 445
Reporting period:	For the half-year ended June 30, 2021.
Previous period:	For the half-year ended June 30, 2020.

2. Results for announcement to the market

All comparisons to Previous period.

Key information	Up/Down	Change	US Dollar in thousands
Revenues from ordinary activities	Up	33.76% to	10,622
Loss from ordinary activities after tax attributable to the owners of the consolidated entity	Down	10.53% to	(2,782)
Loss for the half-year attributable to the owners of the consolidated entity	Down	10.53% to	(2,782)

Dividends:

No dividends were declared or paid during the Reporting period or during the Previous period.

The Loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,782,000 (For the Previous period: \$2,517,000).

The consolidated entity operates under two distinct business segments, the well-established, profitable, core business Shekel Scales and the separate Retail Innovation Division, Which has completed its product development and moved into their commercialization phase.

The loss in the reporting period for the consolidated entity is mainly due to the following:

- \$505,000 increase in Selling and marketing expenses was mainly due to recruitment of two additional sales employees at the subsidiary in France and a Chief Marketing Officer in Shekel Scales.
 - \$673,000 increase in General and Administrative expenses was mainly due to the following:
 1. Higher cost of Shekel-Scales current CEO compared to the previous CEO.
 2. Completion of severance payments for the previous CEO.
 3. Increase in the cost of ongoing legal fees in Israel.
 4. Onetime expenses related to raising funds in Israel and Australia during the period.
 5. Onetime legal expenses related to settling a dispute with a former business partner.
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SHEKEL BRAINWEIGH LTD.

Appendix 4D

Half-year report for the period ended June 30, 2021.

3. Net tangible assets

	30 June, 2021 USD	30 June, 2020 USD
Net tangible assets per ordinary security	<u>0.007</u>	<u>0.026</u>

4. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Attachments

The Interim Report of the consolidated entity for the half-year ended June 30, 2021 is attached.

6. Signed

Signed  _____

Barak Nir
CFO
Tel-Aviv

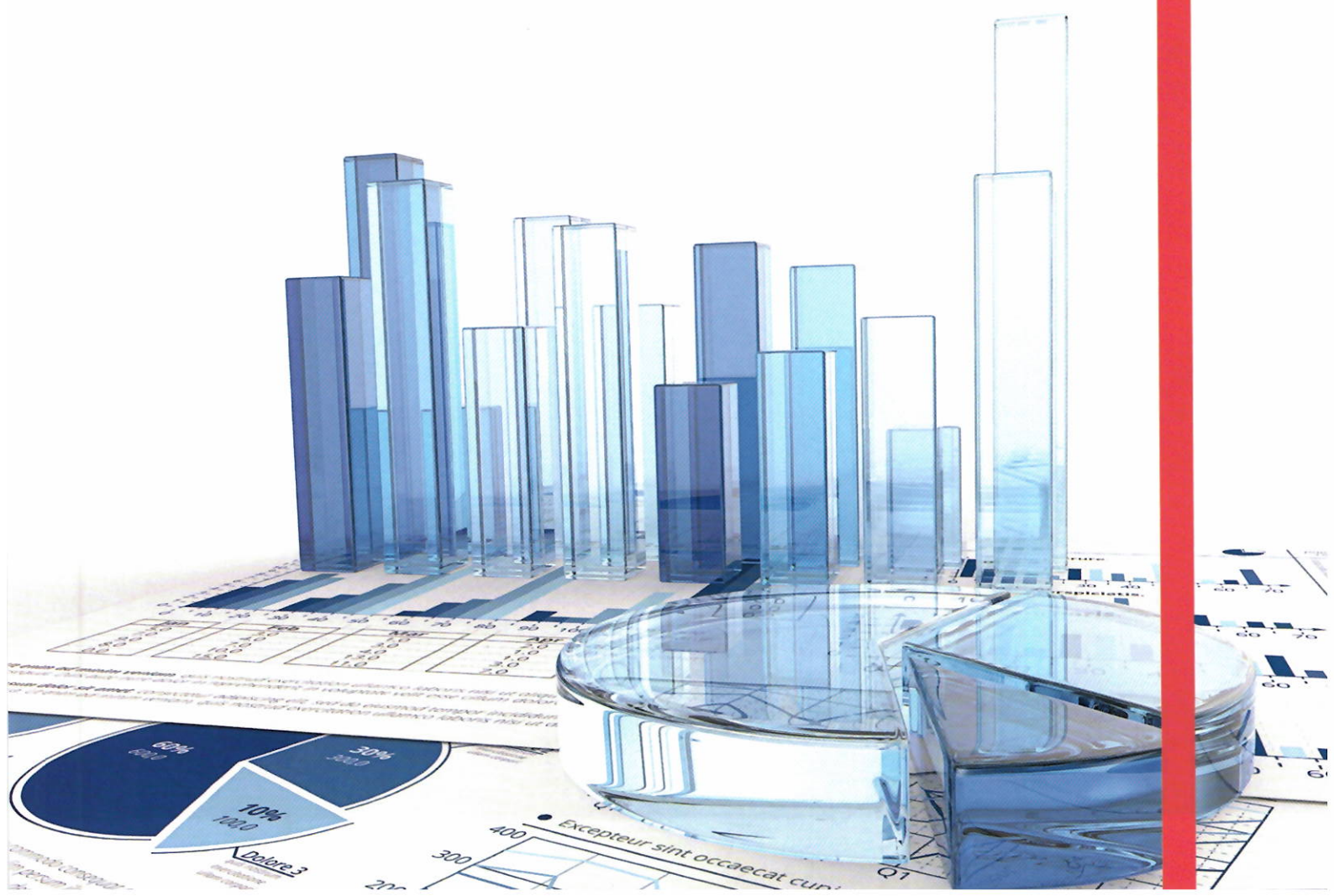
Date: August 29, 2021

SHEKEL BRAINWEIGH LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

UNAUDITED



SHEKEL BRAINWEIGH LTD.

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Review report on interim financial information
to the shareholders of
SHEKEL BRAINWEIGH LTD.

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Shekel Brainweigh Ltd. (the "Company") as of June 30, 2021 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2021, and of its consolidated financial performance, and of its consolidated changes in equity and its consolidated cash flows for the six-month period then ended in accordance International Accounting Standard IAS 34.

Lior Shahr

Tel-Aviv, Israel

August 29, 2021


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

SHEKEL BRAINWEIGH LTD.**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
(US Dollar in thousands)

	June 30, 2021	December 31, 2020
	<u>Unaudited</u>	
ASSETS		
Current Assets:		
Cash and cash equivalents	4,352	1,478
Trade accounts receivable, net	5,525	5,432
Other accounts receivable	1,173	1,287
Inventories	3,965	3,464
Loans to related parties	234	454
	<u>15,249</u>	<u>12,115</u>
Non-Current Assets:		
Right of use asset, net	1,379	2,044
Property, plant and equipment, net	639	567
Intangible assets, net	2,260	2,304
	<u>4,278</u>	<u>4,915</u>
Total Assets	<u><u>19,527</u></u>	<u><u>17,030</u></u>

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

		June 30, 2021	December 31, 2020
	<u>Note</u>	<u>Unaudited</u>	
LIABILITIES AND EQUITY			
Current Liabilities:			
Short term loans	3	4,488	4,847
Trade accounts payable		2,425	2,190
Other accounts payable		2,698	2,743
Derivative financial liability	5	26	-
		<u>9,637</u>	<u>9,780</u>
Non-Current Liabilities:			
Lease liabilities		774	1,621
Convertible loan	4	4,944	-
Employee benefits		309	290
Liability for royalties payable		10	10
		<u>6,037</u>	<u>1,921</u>
Equity:			
	5		
Equity attributable to owners of the parent:			
Share capital and premium		8,986	7,739
Foreign exchange reserve		19	25
Share based payment reserve		2,153	2,089
Retained losses		(7,807)	(5,013)
		<u>3,351</u>	<u>4,840</u>
Non - controlling interest		502	489
Total Equity		<u>3,853</u>	<u>5,329</u>
Total Liabilities and Equity		<u>19,527</u>	<u>17,030</u>


Arik Schor
CEO


Barak Nir
CFO

August 29, 2021
Date of approval of
financial statements

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands, except for basic and diluted loss per share)

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
Revenue	10,622	7,941
Cost of revenue	6,642	5,016
Gross profit	3,980	2,925
Research and development expenses	1,879	1,803
Selling and marketing expenses	1,669	1,164
General and administrative expenses	2,848	2,175
Impairment of financial assets	214	89
Operating loss	(2,630)	(2,306)
Financial income	350	46
Financial expense	511	242
Loss before tax	(2,791)	(2,502)
Income taxes	37	-
Loss for the period	(2,754)	(2,502)
Other comprehensive loss, net of tax:		
Items that will or may be reclassified to profit or loss:		
Exchange rate differentials pursuant to translation of foreign activities	(21)	(2)
Total comprehensive loss for the period	(2,775)	(2,504)
Income (loss) for the period attributed to:		
Owners of the parent	(2,782)	(2,517)
Non - controlling interest	28	15
	(2,754)	(2,502)
Total comprehensive income (loss) for the period attributed to:		
Owners of the parent	(2,788)	(2,519)
Non - controlling interest	13	15
	(2,775)	(2,504)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(US Dollar in thousands)

For the six-month period ended June 30, 2021 (Unaudited):

	Equity attributable to owners of the parent					Non- controlling interest	Total equity
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained losses	Total		
Balance at January 1, 2021	<u>7,739</u>	<u>25</u>	<u>2,089</u>	<u>(5,013)</u>	<u>4,840</u>	<u>489</u>	<u>5,329</u>
Changes during the period:							
Profit (loss) for the period	-	-	-	(2,782)	(2,782)	28	(2,754)
Other comprehensive loss	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(15)</u>	<u>(21)</u>
Total comprehensive income (loss)	-	(6)	-	(2,782)	(2,788)	13	(2,775)
Share based payment	-	-	64	-	64	-	64
Issue of shares, net	1,247	-	-	-	1,247	-	1,247
Interest on loans to related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Balance at June 30, 2021	<u><u>8,986</u></u>	<u><u>19</u></u>	<u><u>2,153</u></u>	<u><u>(7,807)</u></u>	<u><u>3,351</u></u>	<u><u>502</u></u>	<u><u>3,853</u></u>

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

SHEKEL BRAINWEIGH LTD.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(US Dollar in thousands)

For the six-month period ended June 30, 2020 (Unaudited):

	Equity attributable to owners of the parent						
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained losses	Total	Non- controlling interest	Total equity
Balance at January 1, 2020	<u>7,739</u>	<u>8</u>	<u>1,834</u>	<u>(535)</u>	<u>9,046</u>	<u>409</u>	<u>9,455</u>
Changes during the period:							
Profit (loss) for the period	-	-	-	(2,517)	(2,517)	15	(2,502)
Other comprehensive loss	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Total comprehensive income (loss)	-	(2)	-	(2,517)	(2,519)	15	(2,504)
Share based payment	-	-	151	-	151	-	151
Interest on loans to related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Balance at June 30, 2020	<u><u>7,739</u></u>	<u><u>6</u></u>	<u><u>1,985</u></u>	<u><u>(3,064)</u></u>	<u><u>6,666</u></u>	<u><u>424</u></u>	<u><u>7,090</u></u>

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	Six-month period ended June 30,	
	Unaudited	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(2,754)	(2,502)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	808	793
Change in fair value of options	(150)	-
Decrease (increase) in trade accounts receivable, net	(93)	1,494
Decrease (increase) in other accounts receivable	114	(163)
Increase in inventories	(501)	(154)
Increase in trade accounts payable	235	505
Decrease in other accounts payable	(117)	(245)
Increase in employee benefit	19	35
Share based compensation	64	151
Decrease in royalties payable	-	(6)
Financial income charged to equity	(12)	(12)
Change in fair value of convertible loan	(133)	-
Impairment of financial asset	214	89
Other income	(110)	-
Financial income, net	(2)	(81)
Net cash used in operating activities	(2,418)	(96)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(203)	(183)
Capitalized development costs	(190)	-
Net cash used in investing activities	(393)	(183)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares and options, net	1,423	-
Principal paid on lease liabilities	(456)	(436)
Receipt (payment) of short-term loans, net	(283)	437
Convertible notes issuance	5,021	-
Net cash provided by financing activities	5,705	1
Net increase (decrease) in cash and cash equivalents	2,894	(278)
Cash and cash equivalents at the beginning of the period	1,478	2,574
Effects of exchange rate changes on cash and cash equivalents	(20)	2
Cash and cash equivalents at the end of the period	4,352	2,298
The accompanying notes are an integral part of the financial statements.		

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

APPENDIX A: NON-CASH ACTIVITIES

	Six-month period ended June 30,	
	Unaudited	
	2021	2020
Recognition of right of use asset and lease liabilities	813	232
Derecognition of right of use asset	1,144	-

APPENDIX B: AMOUNT PAID AND RECEIVED DURING THE PERIOD:

	Six-month period ended June 30,	
	Unaudited	
	2021	2020
Income tax paid	4	26
Income tax received	(195)	-
Interest paid	66	84

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

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

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 leaders 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.

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 Group and its performance and could affect the Group's financial results in a materially adverse way.

Due to the continued COVID-19 pandemic spread and its variants during the 1st half of 2021, the Group continued to experience some changes in its operations among them, continued remote work as a matter of health precaution measures, worldwide crises regarding procurement of electronic components and delay in supply chain and delivery of goods. As of this date, the Group is unable to assess what, and for how long, any adverse changes may impact the Group business for the long term.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 annual financial statements.

Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2020 annual financial statements. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in future financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Financial instruments

Financial Liabilities

The Groups accounting policy for its financial liabilities is as follows:

The Fair value: This category comprises of convertible loan which is carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income. The treatment of the changes in the credit risk of those items were designated for being recognized in other comprehensive income.

Derivative financial liability

Options that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these options are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3 – SHORT TERM LOANS:

During the years 2021 and 2020, the Subsidiary 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. During 2021 the Subsidiary entered a new agreements with the banks for complying with the required covenants. The Subsidiary is required to comply with certain loan covenants in respect of minimum debt service coverage ratios, which are tested quarterly based on a ratio of: (i) capital ratio (ii Operating working capital ratio, ; and (iii Trade accounts receivable ratio. As of June 30, 2021, the Subsidiary is in compliance with all covenants. As of June 30, 2021 and 2020, the total amount of the two short-term loans is 4,488 and 4,490, respectively.

NOTE 4 - CONVERTIBLE LOAN:

In May 2021, the Company issued convertible notes (the "Notes") in consideration of NIS 16,550 thousand (approximately 5,021). The Notes are nominated in NIS and bears 7% annum interest which will be paid on a quarterly basis. The Notes will be unsecured notes convertible into ordinary shares of the Company. The maturity date is four years after the issuance date. The investors will have the right to convert the Notes into ordinary shares of the Company starting two years after the issuance date and until the maturity date. The number of ordinary shares that will be issued to the investors will be calculated by dividing the face value of the Notes by 75% of the volume weighted average price of the Company's shares as traded on ASX during the last 25 trading days preceding the conversion of the Notes. The Company and the investors have the right for early repayment on agreed terms.

The Company designated the convertible loan to be recognized at fair value through profit or loss. The convertible loan fair value will be measured at each cut-off date. As of June 30, 2021 the total amount of the convertible loan is 4,944.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 5 – EQUITY:

In January 2021, the Company raised AUD 2,100,000 (approximately 1,622) through the issuance of 13,125,000 fully paid ordinary shares of the Company at an issuance price of AUD 0.16 per share and 6,562,500 options exercisable at AUD 0.32 per option, expiring 12 months from the issuance date.

Each Option entitles the holder to acquire one ordinary share of the Company at an exercisable at a price of AUD 0.32 for a period of 12 months. The Company recorded the options as a derivative financial liability which represents the fair value of the options on the transaction date due to the fact that they do not meet the criteria for a fixed number of equity instruments in exchange for a fixed amount of cash since the exercise price is stated in AUD while the Company's functional currency is the USD.

The derivative financial liability as of issuance date amounted to 176. In June 30, 2021 it amounted to 26. The amount was recorded according to its fair value according to valuation performed by an independent third party appraiser.

The issuance was led by a lead manager who received a fee of 6% of the total funds raised, 1,050,000 fully paid ordinary shares and 15,000,000 options, exercisable at AUD 0.32 on or before 24 months following the issuance date. Total issuance expenses amounted to 199 and were recognized against share premium and general and administrative expenses.

The fair value measurement of the options as of June 30, 2021 in the table below was measured using the Black-Scholes model. The key inputs that were used in measuring the fair value of the options were: risk free interest rate – -0.013%, expected volatility - 100%, dividend rate – 0%.

	Fair value measurements using input type			
	Unaudited			
	Level 1	Level 2	Level 3	Total
As of June 30, 2021				
Derivative financial liability	-	26	-	26
Convertible loan	-	4,944	-	4,944

Movement in number of shares:

	Date	Number of shares
		Unaudited
Opening balance as at January 1, 2021	-	139,000,000
Issuance of ordinary shares	01/2021	13,125,000
Lead Manager	01/2021	1,050,000
Closing balance at June 30, 2021	-	153,175,000

SHEKEL BRAINWEIGH LTD.**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(US Dollar in thousands)****NOTE 6 – SEGMENT INFORMATION:**

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

For the six months ended June 30, 2021 (Unaudited)

	Traditional Segment	New Technologies Segment	Total
Segment revenue	10,240	382	10,622
Segment operating profit (loss)	593	(3,223)	(2,630)
Financial expenses, net			(161)
Loss before tax			(2,791)

For the six months ended June 30, 2020 (Unaudited)

	Traditional Segment	New Technologies Segment	Total
Segment revenue	7,834	107	7,941
Segment operating profit (loss)	86	(2,392)	(2,306)
Financial expenses, net			(196)
Loss before tax			(2,502)