



SHEKEL BRAINWEIGH LTD

ARBN 625 669 445

ANNUAL REPORT 2021

Shekel Brainweigh Ltd (ASX: SBW)
Corporate Directory
31 December 2021

Directors	Arik Shor Yoram Ben Porat (resigned 31 May 2021) Beth Kaplan Isaac Raviv Tzipi Avioz Michael Hughes Gilead Sher (appointed 31 May 2021) Shlomo Anikster (appointed 31 May 2021)
Joint Company Secretaries	Elizabeth Spooner Sujani Goonatilleka (appointed 4 March 2022)
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

Dear Shareholder,

It gives me great pleasure to present the 2021 Annual Report for Shekel Brainweigh Limited (ASX: SBW), as we reflect on our achievements and business growth over the past 12 months.

Shekel delivered a solid performance in Q4 2021, closing out a strong year as we focused on serving customers in a dynamic external environment as well as transitioning some of our development efforts into commercialization.

Our revenue in Q4 2021 was higher than we expected across all businesses and marked an all-time quarter and annual sales record for the company. We achieved growth of more than 20% in 2021, driven strongly by our global retail business as well as our local market in Israel.

I am pleased with how we effectively manage the challenges in production and operations, driven by Covid-19, to meet our customer demand despite ongoing logistics and raw material challenges.

While focusing on customers increased demand, we also delivered a strong leverage to the margins, mitigating raw material and logistics costs increases, with hands on pricing and budget adjustments. We will continue to closely manage our sales pricing actions into 2022 to ensure our margins are maintained.

Overall, demand remains strong across our market-leading businesses and we are continuing to drive our new advanced cutting-edge technology to the growing attractive frictionless retail market. In that regard, we continue to focus our product portfolio, go-to-market models, strategic partnerships, and product development to advance our 2022 opportunity pipeline and deliver on our financial promise.

Additionally, we continue to invest in building a stronger organization as well as expending our supply chain and manufacturing capacity to support our growth strategy.

During 2021 and early 2022, we succeeded in raising A\$4.57M through two Share Placements and a Share Purchase Plan to existing investors, in addition to securing a US\$5M convertible loan, all of it indicating confidence from investors in Australia and Israel.

I believe Shekel is well positioned to continue its growth in 2022 both in our traditional scales and retail innovation market in which we lead with a unique technology proposition to help our customers win in the marketplace.

The year ahead will be an important period for Shekel. Our ability to commercialize our technologies and portfolio roadmap will determine our future competitive edge. It will also position Shekel to win in the marketplace with innovative solutions focused on self-service and data analytics - aligned well with our core markets, market trends and customer needs.

I look forward to sharing our progress with you as we continue to set new goals and achieve milestones in our business development.

Arik Schorr
Chairman and CEO

Shekel Brainweigh Ltd
Directors' Report
31 December 2021

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 2021.

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	31 May 2021
Mrs Beth Kaplan	Non-Executive Director	19 August 2018	-
Mr Isaac Raviv	Non-Executive Director	19 August 2018	-
Mr Michael Hughes	Non-Executive Director	8 November 2019	-
Mr Shlomo Anikster	Non-Executive Director	31 May 2021	-
Mr Gilead Sher	Non-Executive Director	31 May 2021	-

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2021 (2020: nil).

Review of Operations

Business Results

Shekel Brainweigh achieved record revenue of US\$23.1 million for FY2021. This represented 26% growth on the FY2020 result of US\$18.3 million and was an all-time top line sales record for the company.

Shekel Brainweigh's Scales business division reported record FY2021 revenue of US\$22.2 million and the Retail Innovation division reported record revenue of US\$921,000, which represented 244% growth on the previous corresponding period (pcp).

Shekel Brainweigh achieved growth across all product lines and geographies, driven by growth from existing key customers (in Israel and internationally), increased activity in the local industrial market and market share gaining with expansion to new customers.

Growth of Shekel's retail innovation business supported by growth of its smart, autonomous store projects. The first US multi-shopper smart store launched in Georgia, Atlanta in January 2022 and this followed the opening of two stores in Paris in November 2020 and July 2021.

In addition, the company completed commercialization of its Hubz smart vending units, produced in conjunction with Parlevel Systems and Imbera Cooling, with the first commercial-scale order of 67 smart vending units (Hubz) from a European operator. By the end of 2021, Shekel had placed close to 100 Hubz units around the world, in addition to 132 innovendi units, which are primarily in Israel.

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The opportunity pipeline in both the legacy and the retail innovation businesses is strong and represent potential significant growth in 2022.

COVID-19

Shekel Brainweigh continued to experience impact from the COVID-19 pandemic in 2021.

As part of the macroeconomic consequences, a shortage in electronic devices drove significant cost increases for raw materials as well as slowing down manufacturing. Shekel incrementally increased prices in few key products to maintain margins and sought alternative microchips to open additional procurement channels to ensure it could meet growing demand.

During the Omicron wave of the pandemic, Shekel Brainweigh experienced a high rate of infected employees, leading to increased sick leave. However, the company managed to maintain its operations with no significant impact on the deliverables or performance of the company.

From a market perspective in 2021, the pandemic continued to enforce cancelation of key industry events and diluted face-to-face customer meetings. Conversely, it continued to play a major role in strengthening the retail market in general, and the frictionless shopping trend in particular, as consumers became more aware and moved to contactless experiences where possible.

Continued New Product Development

Fast Track, Shekel's fresh product recognition system for retail, delivered successful proof-of-concept (POC) in November 2021. Development towards minimum viable product phase commenced in February 2022, followed by planned pilot in Q3 2022.

Development of Shekel's Smart Cart device which enables smart carts "legal for trade" and security weighing inside the carts will reach a concept phase in February and is expected to be ready for pilot in Q4 2022.

Shekel's Product Aware shelves technology are undergoing through strategic collaborations such as the cooperation with Hitachi in multi-shopper autonomous stores, and cooperation with Imbera and Paralevel in the smart coolers. This R&D will continue in accelerated mode in 2022.

Shekel business division integration

During the year, Shekel Brainweigh's Board appointed Mr. Nir Leshem as General Manager for both business divisions following his strong performance leading the Scales division to growth within a short time. His focus is on accelerating the go-to-market, sales and marketing efforts of the Retail Innovation division.

As a result of this appointment, Shekel Brainweigh integrated the activities of two business divisions under one organization structure and unified the business plan. The integration drive synergies and leverage the operational strength of Shekel to support the commercialization process of the new shelf aware technology to the marketplace.

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Other Appointments

Key appointments during the year included Tzvika Bar-Am as the Chief Operating Officer (COO) and Ifat Yoffe as Chief Marketing Officer (CMO) of the company. Both bring a wealth of knowledge and experience to help drive Shekel Brainweigh on its journey for growth.

Research and development

The company continued to invest in research and development (R&D) and sales and marketing for both divisions during FY2021, implementing a growth strategy set by the Company's Board and management in early 2021.

Results of Operations

Shekel Brainweigh achieved total group revenues of US\$23.1 million for FY2021, 26% growth on FY2020 result.

This was achieved in an uncertain and volatile environment across all product lines and geographies, driven by growth from existing key customers (in Israel and internationally), increased activity in the local industrial market and market share gaining with expansion to new customers and it is a testament to the long-term stability of Shekel Brainweigh.

Shekel Brainweigh achieved gross margin growth (up from 38% to 39%) despite cost increases for components and transport and foreign exchange rate differences, while the net loss attributable for the year was US\$6.46 million, up from US\$4.45 million in FY2020 due to one-off financial expenses. These were mostly non-cash expenses from accounting rules and included IFRS16 implications, a loan revaluation and exchange rate differences.

Financial Position

As at 31 December 2021, the Company had cash reserves of US\$1.981 million compared to US\$1.47 million at 31 December 2020.

Following FY21, Shekel completed a raise of A\$1,112,500 through a Private placement and a Share Purchase Plan to existing investors.

Shekel Brainweigh Ltd
Directors' Report
31 December 2021

Information on Directors

Mr Arik Schor Qualifications	Chairman and Chief Executive Officer BA in Computer Science and BSc in Civil Engineering from Technion, Israel Institute of Technology.
Experience	<p>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.</p> <p>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.</p> <p>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).</p>
Interest in shares and Options	Nil
Mrs Tzipi Avioz Qualifications Experience	<p>Non-Executive Director BA in Sociology and Political Sciences from Hebrew University</p> <p>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.</p> <p>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.</p> <p>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.</p>
Interest in shares and Options	Nil

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Mr Isaac Raviv
Qualifications

Non-Executive Director

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
Qualifications

Non-Executive Director

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

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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
Qualifications

Non-Executive Director

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

Mr Shlomo
Anikster
Qualifications

Non-Executive Director

Bachelor of Arts in Mechanical Engineering and Master of Science in Mechanical Engineering from Tel Aviv University.

Experience

Mr Anikster has over 23 years of experience in leadership and executive roles across production, inventory, logistics and operation management.

Shekel Brainweigh Ltd
Directors' Report
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Mr Anikster holds senior positions at Kvutzat Yavne Food Industry, GAASH Diamond Tools and Sales, Century Company and Haaretz Chicken businesses and he holds a unique set of skills, possessing a deep and trusted network, and depth of experience in production and inventory management.

**Interest in shares
and Options**

Nil

Mr Gilead Sher
Qualifications
Experience

Non-Executive Director

Mr Sher was chief of staff and policy coordinator to former Israeli Prime Minister Ehud Barak, a senior negotiator at the Camp David summit and Taba talks (1999-2001), and a delegate to the 1994–95 Israeli-Palestinian Interim Agreement negotiations under PM Rabin. Over the last two and a half decades, Mr Sher led numerous secret and confidential negotiation tracks. He heads the Center for Applied Negotiations and is a senior fellow at the Institute for National Security Studies INSS, ranked 1st among Israeli think tanks and within the top twenty worldwide in the field of Defense and National Security.

A reputable expert in negotiations and conflict resolution, Mr Sher was a visiting professor and Israel studies fellow at Georgetown University in 2019, he is currently the Brochstein fellow in Middle East Peace and Security in Honor of Yitzhak Rabin at Rice University's Baker Institute for Public Policy.

A senior partner at the law firm Gilead Sher & Co., Mr Sher serves on several corporate executive boards and public councils and chairs the executive board of Sapir Academic College, the largest public college in Israel. His expertise encompasses international negotiations; commercial law; public, administrative and election law, complex projects, arbitration, and other dispute resolution proceedings.

As a reserve officer in the IDF, Colonel Sher served as a company, battalion, and brigade commander, and as a deputy armored corps division commander. During his compulsory service, Mr Sher fought the 1973 Yom Kippur War in the southern front in the 401 armored corps brigade.

Mr Sher was a lecturer on law at Harvard Law School (fall 2016) and a non-resident guest lecturer at the University of Pennsylvania's Wharton School (Negotiating in Times of Crisis 2002-2012). Mr Sher is the author of The Israeli-Palestinian Peace Negotiations, 1999–2001 (2006) and coeditor of Negotiating in Times of Conflict (2015) and Spoiling and Coping with Spoilers (2019).

**Interest in shares
and Options**

Nil

Shekel Brainweigh Ltd
Directors' Report
31 December 2021

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	10	10
Mrs Tzipi Avioz	10	8
Mr Yoram Ben Porat	4	3
Mrs Beth Kaplan	10	10
Mr Isaac Raviv	10	10
Mr Michael Hughes	10	10
Mr Shlomo Anikster	6	5
Mr Gilead Sher	6	6

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
11 March 2018	11 March 2028	\$0.20	19,427,064
13 April 2021	13 April 2022	\$0.32	15,000,000

Convertible Notes

Grant Date	Maturity Date	Face Value	Number
14 May 2021	14 May 2025	USD\$1.00	5,000,000

Restricted Share Units

Grant Date	Expiry Date	Exercise Price	Number
13 October 2021	4 years from issue date	Nil	11,716,017
13 October 2021	4 years from issue date	Nil	5,423,500

During the year ended 31 December 2021, 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.

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

Country or Region	Volume of Innovendi	Performance Rights percentage which
	Kit sold	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 of 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.

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Non-audit Services

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

Future Developments, Business Strategies and Prospects

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, UST, Imbera cooling and Parlevel Systems, will be key to Shekel's strategy.

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), Smart Cart weighing units, and expanding its industrial projects in Israel 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).

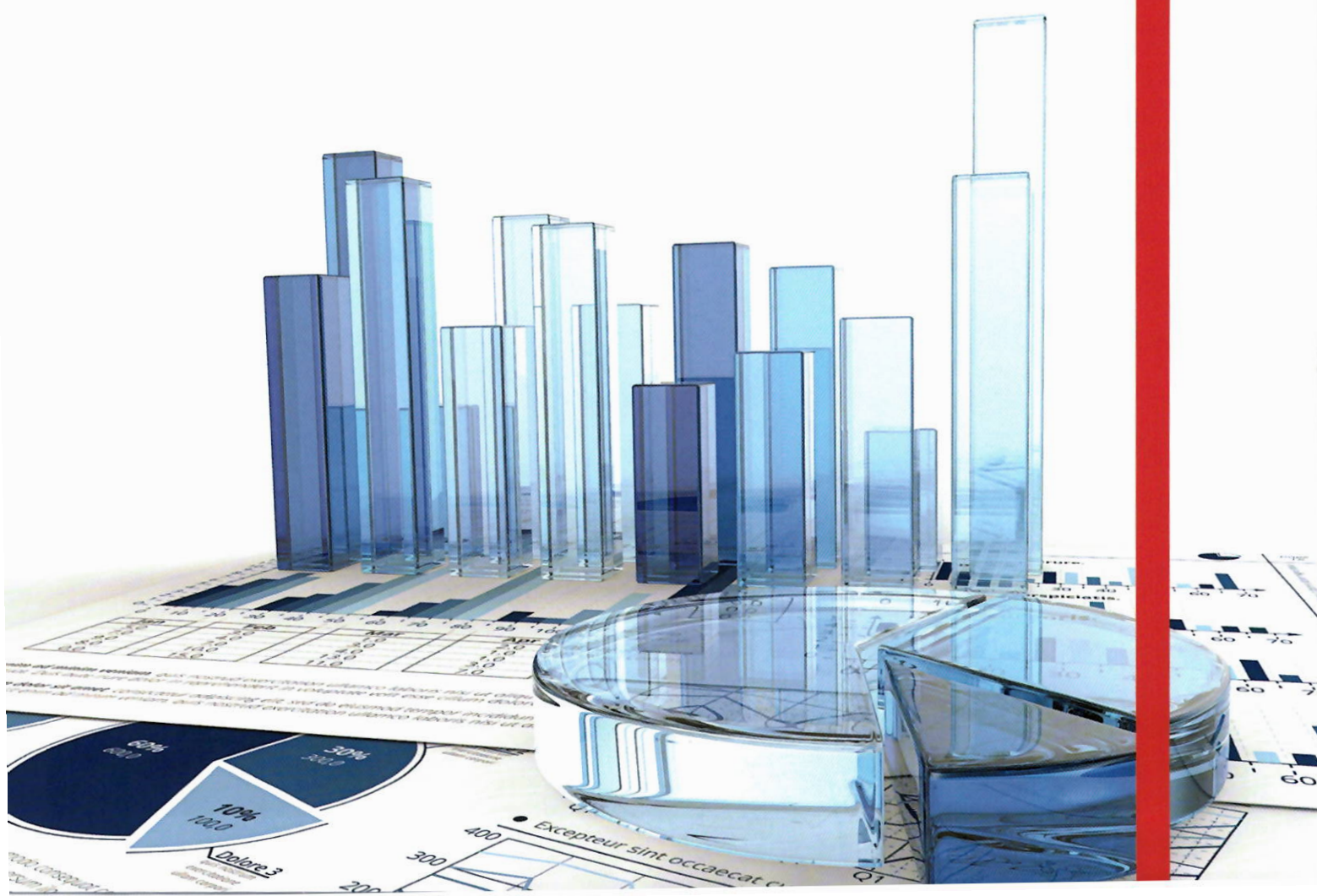
Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company 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, 2021



SHEKEL BRAINWEIGH LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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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 statements of Shekel Brainweigh Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2021, the related statements of comprehensive income, changes in shareholders equity and cash flows for the year ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021, its financial performance, changes in equity and its cash flows for the year ended December 31, 2021 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the 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 statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 **Email:** bdo@bdo.co.il **Website:** www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firm

<i>Loans to related party</i>	<i>How the matter was addressed in our audit</i>
<p>Loans to related party amounted to USD 447 thousand as of December 31, 2021.</p> <p>The related disclosure appears in Note 9 to the consolidated financial statements.</p> <p>During the years 2014-2016, the Company entered into loan agreements with its shareholders, amounting to USD 850 thousand (NIS 3,220 thousand). The loans bear interest as set forth in section 3 of the Israeli Income Tax Ordinance.</p> <p>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.</p> <p>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.</p> <p>The Company measures the loans to related party according to the amortized cost model. Measurement 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.</p>	<p>Our procedures in respect of this area included:</p> <ul style="list-style-type: none"> • 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 loan's agreements. • Holding discussions with key management personnel to understand management's key assumptions over the expected credit loss 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 statement

Tel Aviv 03-6386868	Jerusalem 02-6546200	Haifa 04-8680600	Beer Sheva 077-7784100	Bnei Brak 073-7145300	Kiryat Shmona 077-5054906	Petah Tikva 077-7784180	Modiin Ilit 08-9744111	Nazrat Ilit 04-6555888
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Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 **Email:** bdo@bdo.co.il **Website:** www.bdo.co.il

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During 2021 the Company recorded an increase in the expected credit loss of USD 12 thousand according to external third-party evaluator.

<i>Convertible loan at fair value</i>	<i>How the matter was addressed in our audits</i>
<p>Convertible loan at fair value amounted to USD 6,312 thousand as of December 31, 2021.</p> <p>The related disclosure appears in Note 13 to the financial statements.</p> <p>During the current year the Company raised USD 5,000 thousand by issuing a convertible loan. The convertible loan can be converted in the period from two to 4 years starting its issuance. Due to the fact that the loan can be repaid in cash and that the conversion price varies and depends on the market conditions listed in Note 13, the Company designated the convertible loan as an instrument measured at fair value through profit or loss. The fair value of the convertible loan is a judgmental accounting area which requires assumptions utilized in the fair value calculations. There is a risk in the consolidated financial statements that the Company may incorrectly measure the fair value and incorrectly recognize and/or inappropriately disclose.</p> <p>The accounting policy is described in Note 2.</p> <p>During 2021 the Company recorded an increase in the value of the loan of USD 1,312 thousand according to external third-party evaluator.</p>	<p>Our procedures in respect of this area included:</p> <ul style="list-style-type: none"> • We held discussions with key management personnel and read relevant related documents to understand the convertible loan terms. • Our valuation team evaluate the calculation of the fair value and the report prepared by company's independent valuation expert. • Our valuation team examined the reasonability of the assumptions and the methodology which were the basis of the calculation. • We verified the inputs data of the calculations by reference to, where appropriate, external data. • We evaluated the amount to be presented in the other comprehensive income due to changes in the credit risk of the instrument. • We examined the reputation and the objectivity of the independent valuation expert. • We considered the adequacy of the Company's disclosures in respect of the treatment of the convertible loan in the financial statements, and of the disclosure on its accounting policies.

Tel Aviv 03-6386868	Jerusalem 02-6546200	Haifa 04-8680600	Beer Sheva 077-7784100	Bnei Brak 073-7145300	Kiryat Shmona 077-5054906	Petah Tikva 077-7784180	Modiin Ilit 08-9744111	Nazrat Ilit 04-6555888
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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, 2021, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed 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 statements in accordance with IFRSs, and for such internal control as directors and management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, 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.

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 **Email:** bdo@bdo.co.il **Website:** www.bdo.co.il

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Auditor's responsibilities for the Audit of the Financial Statements

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

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

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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 statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lior Shahar
Partner
Tel-Aviv, Israel
March 31, 2022


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

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
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SHEKEL BRAINWEIGH LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
ASSETS			
Current Assets:			
Cash and cash equivalents		1,981	1,478
Trade accounts receivable, net	4	7,576	5,432
Other accounts receivable	5	799	1,287
Inventories	6	4,948	3,464
Loan to related party	9	447	454
		<u>15,751</u>	<u>12,115</u>
Non-Current Assets:			
Right of use assets, net	21	6,293	2,044
Property, plant and equipment, net	7	803	567
Intangible assets, net	8	<u>2,040</u>	<u>2,304</u>
		<u>9,136</u>	<u>4,915</u>
Total Assets		<u><u>24,887</u></u>	<u><u>17,030</u></u>

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, 2021	December 31, 2020
LIABILITIES AND EQUITY			
Current Liabilities:			
Short term loans	11	3,958	4,847
Trade accounts payable		2,769	2,190
Other accounts payable	10,21	3,617	2,743
Derivative financial liability		2	-
		<u>10,346</u>	<u>9,780</u>
Non-Current Liabilities:			
Lease liabilities	21	5,899	1,621
Convertible loan at fair value	13	6,312	-
Long term loans	11	404	-
Employee benefit liabilities		340	290
Liability for royalties payable	24	4	10
		<u>12,959</u>	<u>1,921</u>
Equity	14		
Equity attributable to owners of the parent:			
Share capital and premium		9,926	7,739
Foreign exchange reserve		10	25
Share based payment reserve		2,955	2,089
Retained losses		(11,805)	(5,013)
Total equity attributable to owners of the parent		<u>1,086</u>	<u>4,840</u>
Non - controlling interest		496	489
Total Equity		<u>1,582</u>	<u>5,329</u>
Total Liabilities And Equity		<u>24,887</u>	<u>17,030</u>
Arik Schor CEO	Barak Nir CFO	March 31, 2022 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, 2021	Year ended December 31, 2020
Revenues	15	23,104	18,306
Cost of revenues	16	<u>14,073</u>	<u>11,335</u>
Gross profit		9,031	6,971
Research and development expenses	17	4,600	4,153
Selling and marketing expenses	18	3,358	2,660
General and administrative expenses	19	4,877	4,094
Other expenses		253	-
Expected credit losses (benefit)	9	<u>12</u>	<u>(210)</u>
Operating loss		(4,069)	(3,726)
Financial income	20	309	44
Financial expense	20	<u>2,855</u>	<u>767</u>
Loss before tax		(6,615)	(4,449)
Tax on income (benefit)	22	<u>72</u>	<u>(38)</u>
Loss for the year		<u>(6,687)</u>	<u>(4,411)</u>
Other comprehensive loss, net of tax:			
Items that will or may be reclassified to profit or loss:			
Exchange gains (losses) arising on translation of foreign operations		<u>(52)</u>	<u>55</u>
Total comprehensive loss for the year		<u>(6,739)</u>	<u>(4,356)</u>
Profit (loss) for the year attributed to:			
Owners of the parent		(6,767)	(4,453)
Non - controlling interest		<u>80</u>	<u>42</u>
		<u>(6,687)</u>	<u>(4,411)</u>
Total comprehensive income (loss) for the year attributed to:			
Owners of the parent		(6,782)	(4,436)
Non - controlling interest		<u>43</u>	<u>80</u>
		<u>(6,739)</u>	<u>(4,356)</u>
Basic and diluted loss per share	14	<u>\$(0.04)</u>	<u>\$(0.03)</u>

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					Non-controlling interest	Total
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained (losses)	Total		
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 2020:							
Profit (loss) for the year	-	-	-	(4,453)	(4,453)	42	(4,411)
Other comprehensive income	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>38</u>	<u>55</u>
Total comprehensive income (loss)	-	17	-	(4,453)	(4,436)	80	(4,356)
Share based payment	-	-	255	-	255	-	255
Benefit to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>	<u>(25)</u>
Balance at December 31, 2020	<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 2021:							
Profit (loss) for the year	-	-	-	(6,767)	(6,767)	80	(6,687)
Other comprehensive losses	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(37)</u>	<u>(52)</u>
Total comprehensive income (loss)	-	(15)	-	(6,767)	(6,782)	43	(6,739)
Issue of shares, net	2,187	-	-	-	2,187	-	2,187
Share based payment	-	-	866	-	866	-	866
Dividend to non-controlling interest	-	-	-	-	-	(36)	(36)
Benefit to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>	<u>(25)</u>
Balance at December 31, 2021	<u>9,926</u>	<u>10</u>	<u>2,955</u>	<u>(11,805)</u>	<u>1,086</u>	<u>496</u>	<u>1,582</u>

The accompanying notes are an integral part of the financial statements

SHEKEL BRAINWEIGH LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(6,687)	(4,411)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,749	1,799
Change in fair value of options	(174)	-
Decrease (increase) in trade accounts receivable, net	(2,144)	401
Decrease in other accounts receivable	435	12
Decrease (increase) in inventories	(1,484)	1
Increase in trade accounts payable	579	725
Increase in other accounts payable	778	283
Increase in employee benefits	50	27
Decrease in liability for royalties payable	(6)	(15)
Financial income charged to equity	(25)	(25)
Change in fair value of Convertible loan	996	-
Financial expenses, net	674	339
Capital loss from sale of property, plant and equipment	48	18
Expected credit losses (benefit)	12	(210)
Impairment of intangible assets	-	471
Other income	(110)	-
Share based payment	866	255
Net cash used in operating activities	<u>(4,443)</u>	<u>(330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(562)	(464)
Proceeds from sale of property, plant and equipment	24	-
Acquisition of software	(395)	-
Net cash used in investing activities	<u>(933)</u>	<u>(464)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares and options, net	2,363	-
Payment on lease liabilities	(857)	(795)
Convertible notes issuance	5,021	-
Receipt of long-term loans	543	-
Payment of long-term loans	(13)	-
Dividend to non-controlling interest	(36)	-
Receipt (payment) of short term loans, net	(1,091)	438
Net cash provided by (used in) financing activities	<u>5,930</u>	<u>(357)</u>
Net decrease in cash and cash equivalents	<u>554</u>	<u>(1,151)</u>
Cash and cash equivalents at the beginning of the year	<u>1,478</u>	<u>2,574</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(51)</u>	<u>55</u>
Cash and cash equivalents at the end of the year	<u>1,981</u>	<u>1,478</u>

SHEKEL BRAINWEIGH LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

APPENDIX A - NON-CASH ACTIVITIES:

	Year ended December 31, 2021	Year ended December 31, 2020
Recognition of right of use assets	6,229	499
Recognition of lease liabilities	6,175	499
Derecognition of right of use asset	1,144	-
Derecognition of Lease liabilities	1,254	-

APPENDIX B - AMOUNTS PAID DURING THE YEAR FOR:

	Year ended December 31, 2021	Year ended December 31, 2020
Income tax paid	10	36
Income tax received	(195)	-
Interest paid	310	171

The accompanying notes are an integral part of the financial statements

SHEKEL BRAINWEIGH LTD.
NOTES TO THE 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 leader of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.
- On November 16, 2018, the company was listed for trading on ASX and raised \$ 7,349 thousand from public.
- 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 2021-2020. 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 year 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 electronical 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 CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

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 except of the convertible loan and the derivative financial liability that was measured at fair value through profit or loss. 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.

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.

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 27.

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 attributable to owners of the parent.

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.

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

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

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.

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 lessee 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 lessee is contractually required to dismantle, remove or restore the underlying asset.

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Leases (cont.)

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.

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 ruling 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

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Foreign currency (cont.)

differences recognized in the foreign exchange reserve relating to that operation up to the date of disposal are classified from other comprehensive income 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.

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).

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments

1. Financial assets

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 party 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 party 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 party. 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. Financial Liabilities

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.

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

2. Financial Liabilities (cont.)

Fair value through profit or loss: this category comprises of convertible loan which was designated upon initial recognition according to IFRS 9. Changes in fair value recognized in the consolidated statement of comprehensive income except for changes derived from credit risk which are recognized in other comprehensive income.

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.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Intangible assets

Intangible assets include internally generated capitalized 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.

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).

As of December 31, 2021, The Group's acquired technology that are not being amortized yet because the development has not been completed and the assets are yet to be in use. 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.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

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).

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Impairment of non-financial assets (cont.)

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.

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.

Loss per share

Loss 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.

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.

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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.

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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.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

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.

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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, Restricted Stock Unit ("RSU") 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 14 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.

Convertible loan

The convertible loan and was designated to be measured at fair value through profit or loss. The fair value was estimated by using Monte-Carlo simulation which was aimed to model the value of the Company's equity over time. The model was designed to take into account the unique terms and conditions which are described in Note 13. Changes to estimates can result in significant variations in the amounts charged to the consolidated statement of profit (loss) in specific periods.

Loans to related party

The Company measures the loans to related party according to the amortized cost model. Measurement of the expected credit loss is a judgmental accounting area which requires assumptions. In accordance with the valuation received from management with the assistance of an external appraiser, the Company recognizes credit losses in profit and loss.

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NOTE 4 - TRADE ACCOUNTS RECEIVABLE, NET:

Composition:

	December 31, 2021	December 31, 2020
Trade accounts receivable	7,590	5,463
Less: impairment allowance for trade accounts receivable	(14)	(31)
	<u>7,576</u>	<u>5,432</u>

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, 2021	210	98	255	395	6,632	7,590
Balance as of December 31, 2020	<u>-</u>	<u>22</u>	<u>356</u>	<u>618</u>	<u>4,467</u>	<u>5,463</u>

NOTE 5 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2021	December 31, 2020
Prepaid expenses	342	233
Institutions	208	666
Advances to suppliers	164	316
Related parties	80	67
Others	5	5
	<u>799</u>	<u>1,287</u>

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NOTE 6 - INVENTORIES:

	December 31, 2021	December 31, 2020
Raw materials	2,724	2,004
Work in process	137	139
Finished goods	2,087	1,321
	<u>4,948</u>	<u>3,464</u>

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Leasehold improvements	Furniture and equipment	Vehicles	Electronic equipment and software	Total
Cost:					
As of January 1, 2021	114	1,260	83	1,204	2,661
Additions	122	215	144	81	562
Disposals	(101)	(64)	(68)	-	(233)
As of December 31, 2021	<u>135</u>	<u>1,411</u>	<u>159</u>	<u>1,285</u>	<u>2,990</u>
Accumulated depreciation:					
As of January 1, 2021	(27)	(1,183)	(69)	(815)	(2,094)
Additions	(15)	(44)	(23)	(172)	(254)
Disposals	33	60	68	-	161
As of December 31, 2021	<u>(9)</u>	<u>(1,167)</u>	<u>(24)</u>	<u>(987)</u>	<u>(2,187)</u>
Net Book Value:					
As of December 31, 2021	<u>126</u>	<u>244</u>	<u>135</u>	<u>298</u>	<u>803</u>

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

	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	<u>114</u>	<u>1,260</u>	<u>83</u>	<u>1,204</u>	<u>2,661</u>
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	<u>(27)</u>	<u>(1,183)</u>	<u>(69)</u>	<u>(815)</u>	<u>(2,094)</u>
Net Book Value:					
As of December 31, 2020	<u><u>87</u></u>	<u><u>77</u></u>	<u><u>14</u></u>	<u><u>389</u></u>	<u><u>567</u></u>

SHEKEL BRAINWEIGH LTD.
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NOTE 8 - INTANGIBLE ASSETS, NET:

	Internally generated capitalized development costs	Acquired technology	Goodwill	Total
Cost:				
As of January 1, 2021	2,529	140	102	2,304
Additions	-	395	-	
Disposals	(192)	-	-	
As of December 31, 2021	<u>2,337</u>	<u>535</u>	<u>102</u>	<u>2,990</u>
Accumulated depreciation:				
As of January 1, 2021	(467)	-	-	
Additions	(467)	-	-	
Disposals	-	-	-	
As of December 31, 2021	<u>(934)</u>	<u>-</u>	<u>-</u>	<u>(2,187)</u>
Net Book Value:				
As of December 31, 2021	<u>1,403</u>	<u>535</u>	<u>102</u>	<u>2,040</u>
As of December 31, 2020	<u>2,062</u>	<u>140</u>	<u>102</u>	<u>2,304</u>

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 year 2021, the Group recognized Other expenses in the amount of 192 due to Goopi's liquidation and written off the Acquired technology Goopi's IP.

In 2020, the Group has begun the amortization for its remaining internally generated capitalized development costs (Smart Shelf). The company recognized an amortization amount of 467 for each of the years 2021 and 2020 .

The Group has not yet begun amortization for its acquired technology as it is not ready for use as of December 31, 2021. In order to test the recoverable amount 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

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NOTE 8 - INTANGIBLE ASSETS, NET (CONT.):

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:

Acquired technology:

- 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 PARTY:

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 NIS linked and will be repaid at the same currency 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 is recorded against equity as benefit to owners.

During the year ended December 31, 2021, the Group recognized an increase in the expected credit loss in the amount of 12. During the year ended December 31, 2020, the Group recognized a decrease in the expected credit loss in the amount of 210.

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NOTE 10 - OTHER ACCOUNTS PAYABLE:

	December 31, 2021	December 31, 2020
Employees, salaries and related liabilities	984	925
Current portion of lease liabilities	807	713
Customers advances	668	265
Accrued expenses	561	265
Provision for vacation	475	378
Tax authorities	68	83
Institutions	30	61
Provision for warranty	20	37
Others	4	16
	<u>3,617</u>	<u>2,743</u>

NOTE 11 - SHORT AND LONG TERM LOANS:

- During the years 2021 and 2020, the Subsidiary (Shekel Scales (2008) Ltd.) received two short-term loans from two different banks in Israel (7,000,000 NIS from each bank, approximately 2,120). The loans were received in NIS and NIS linked. It bears interest of 2.75%-3.2% per annum. During the year 2021, the Subsidiary repaid to each bank 1,000,000 NIS (approximately 303). As of December 31, 2021, and 2020 the total amount of the two short-term loans is 3,863 and 4,356, respectively. During 2021 the Subsidiary entered into a new agreement 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 December 31, 2021, the Subsidiary is in compliance with all covenants.
- 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 0.55%. During the year 2021, Abilanx changed this loan's term to a long-term loan for 5 years and took another two loans for 3 years, Euro 21 thousand (0.8% interest) and Euro 29 thousand (0.94% interest). As of December 31, 2021, and 2020 the total amount of those loans is 499 and 491 respectively.

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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:

	<u>Convertible loan</u>
As of January 1, 2021	-
Changes from financing cash flows:	
Receipt of Convertible loan	(5,021)
Accrued interest expenses	(232)
Interest paid	184
Change in fair value of Convertible loan	(996)
Exchange rate differences	(295)
As of December 31, 2021	<u>(6,360)</u>
	<u>Short and long term</u>
As of January 1, 2021	(4,847)
Changes from financing cash flows:	
Receipt of long term loans, net	(543)
Payment of long term loans, net	13
Payment of short term loans, net	1,091
Accrued interest expenses	(134)
Interest paid	131
Exchange rate differences	(73)
As of December 31, 2021	<u>(4,362)</u>

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

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
Accrued interest expenses	(126)
Interest paid	131
Exchange rate differences	(355)
As of December 31, 2020	<u><u>(4,847)</u></u>

	<u>Lease liabilities</u>
At January 1, 2021	(2,334)
Additions	(6,175)
Disposals	1,254
Accretion of interest	(486)
Interest payment	178
Principal payment	857
As at December 31, 2021	<u><u>(6,706)</u></u>
At January 1, 2020	(2,630)
Additions	(499)
Accretion of interest	(40)
Interest payment	40
Principal payment	795
As at December 31, 2020	<u><u>(2,334)</u></u>

NOTE 13 - 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 are 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

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NOTE 13 - CONVERTIBLE LOAN (CONT.):

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 December, 2021 the total fair value of the convertible loan is 6,312.

NOTE 14 - EQUITY:

Shekel Brainweigh Ltd. was admitted to the official list of ASX on November 16, 2018, by the issue of 29,000,000 shares

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, 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 from the issuance date.

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. On December 31, 2021 it amounted to 2. 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 December 31, 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%.

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NOTE 14 - EQUITY (CONT.):

In December 2021, the Company raised AUD 1,365,000 (approximately 983) through the issuance of 6,825,000 fully paid ordinary shares of the Company at an issuance price of AUD 0.2 per share. Total issuance expenses amounted to 43 and were recognized against equity.

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
As of December 31, 2021				
Derivative financial liability	-	2	-	2
Convertible loan	-	6,312	-	6,312

Movement in number of shares:

	Date	Number of shares
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
Issuance of ordinary shares	12/2021	6,825,000
Closing balance at December 31, 2021	-	160,000,000

	Authorized	Issued and outstanding
	Number of shares as of December 31, 2021	
Ordinary shares par value of NIS 0 per share	400,000,000	160,000,000

	Authorized	Issued and outstanding
	Number of shares as of December 31, 2020	
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.

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NOTE 14 - EQUITY (CONT.):

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.

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% 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.

- In 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.

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NOTE 14 - EQUITY (CONT.):

Share based payment (cont.)

The options to employees and to the lead manager outstanding as of December 31, 2021 and 2020 are comprised, as follows:

	Year ended December 31, 2021	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	23,597,046	\$ 0.185
Granted	15,000,000	\$ 0.249
Outstanding at end of year	38,597,046	\$ 0.196
Exercisable options	22,382,856	\$ 0.196
	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

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NOTE 14 - EQUITY (CONT.):

Restricted Stock Units

On July 1, 2021 the Group established a Restricted Stock Units plan (the "RSUs Plan").

- Under the RSUs Plan a total of 11,716,017 RSUs have been granted to 3 employees. The vesting period is up to a year from the grant date, according to the following: 50% will vest immediately, only if the average Share Price equal to or exceeds 0.35 AUD and 50% will vest equally at the end of each quarter starting the following quarter.

Notwithstanding anything to the contrary above, all RSUs shall become fully vested upon the first anniversary of the vesting commencement date.

- Under the RSUs Plan a total of 5,423,500 RSUs have been granted to employees. 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.

Such RSUs will vest only if the Average Share Price shall be equal to or exceeds 0.35 AUD

The fair value of RSUs 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 RSUs, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. The valuation performed by an external valuator based on management's assumptions.

The RSUs were granted under section 102 of the Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise.

SHEKEL BRAINWEIGH LTD.
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NOTE 14 - 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, 2021, 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.

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NOTE 14 - 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, 2021	Year ended December 31, 2020
Loss for the year attributed to owners of the parent	(6,767)	(4,453)
Weighted average number of ordinary shares	152,372,397	139,000,000
Basic and diluted loss per share	\$ (0.04)	\$ (0.03)

NOTE 15 - REVENUES:

Revenues arises from:

	Year ended December 31, 2021	Year ended December 31, 2020
Sale of goods	19,261	14,992
Services	3,843	3,314
	23,104	18,306

NOTE 16 - COST OF REVENUES:

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of scales and raw materials	10,916	7,322
Salary and related expenses	3,208	2,771
Depreciation	509	548
Intangible asset amortization	467	467
Vehicle maintenance	254	97
Office maintenance	161	103
Change in inventories	(1,484)	1
Others	42	26
	14,073	11,335

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NOTE 17 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses	2,957	2,578
Share based compensation	827	255
Materials, subcontractors and related expenses	515	514
Depreciation	213	286
Vehicle maintenance	56	85
Office maintenance	32	24
Impairment of internally generated capitalized development costs	-	471
Grant received	-	(60)
	<u>4,600</u>	<u>4,153</u>

NOTE 18 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses	2,233	1,608
Exhibitions, materials and promotions	478	368
Vehicles maintenance	175	97
Transportation and deliveries	174	174
Depreciation	130	229
Travel abroad	126	117
Office maintenance	42	67
	<u>3,358</u>	<u>2,660</u>

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NOTE 19 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses	2,411	1,848
Professional fees	1,288	870
Office maintenance	290	332
Management fees	277	299
Depreciation	238	269
Directors fees	214	244
Vehicles maintenance	74	99
Travel abroad	29	39
Share based compensation	28	-
Others	28	94
	<u>4,877</u>	<u>4,094</u>

NOTE 20 – FINANCIAL EXPENSE, NET:

	Year ended December 31, 2021	Year ended December 31, 2020
IFRS16	486	40
Bank's fees and interests	232	209
Convertible loan's interest	232	-
Convertible loan's Valuation	996	-
Exchange rate differences, net	815	518
Dividend benefit to Concepta	(25)	(25)
Linkage and interest	(15)	(19)
Warrants' Valuation	(175)	-
	<u>2,546</u>	<u>723</u>

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NOTE 21 - 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 24.5 years and vehicles generally have lease terms between 2 and 3 years. 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.

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, 2021	1,520	524	2,044
Additions	5,340	889	6,229
Disposals	(1,056)	(88)	(1,144)
Depreciation expense	(384)	(452)	(836)
As at December 31, 2021	<u>5,420</u>	<u>873</u>	<u>6,293</u>

Set out below are the carrying amounts of right-of-use assets recognized and the movements during 2020:

	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	<u>1,520</u>	<u>524</u>	<u>2,044</u>

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

	2021
At January 1, 2021	2,334
Additions	6,175
Disposals	(1,254)
Accretion of interest	199
Exchange rate differences	287
Interest payment	(178)
Principal payment	(857)
As at December 31, 2021	<u>6,706</u>

The following are the amounts recognized in profit or loss:

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NOTE 21 – LEASES (CONT.):

	<u>2021</u>
Depreciation expense of right-of-use assets	836
Interest expense on lease liabilities	<u>486</u>
Total amount recognized in profit or loss	<u>1,322</u>

Set out below are the carrying amounts of lease liabilities and the movements during 2020:

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

The following are the amounts recognized in profit or loss:

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

The Group had total cash outflows for leases of 1,035 in 2021. The Group also had non-cash additions to right-of-use assets and lease liabilities of 6,229 in 2021.

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.

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NOTE 22 - TAXES ON INCOME:

1. General tax rate applicable to income in Israel:

Israeli corporate tax rates are 23% in 2021 and 2020.

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 2021 and 2020. The tax rates that applied to the Israeli Company's taxable income which do not derived from its manufacturing activities are 23% in 2021 and 2020, 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 2021 and 2020.

Abilanx: 28% in 2021 and 2020.

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NOTE 22 - TAXES ON INCOME (CONT.):

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

	Year ended December 31, 2021	Year ended December 31, 2020
Current tax expenses	72	53
Tax income of previous years	-	(91)
	<u>72</u>	<u>(38)</u>

5. Tax reconciliation:

	Year ended December 31, 2021	Year ended December 31, 2020
Loss before taxation	(6,615)	(4,449)
Theoretical tax credit at applicable statutory 2021 & 2020: 23%	(1,521)	(1,023)
Effect of preferred enterprise tax rate in Israel (less non - manufacturing activities) and tax rates of subsidiaries	350	243
Deferred tax asset which was not recognized or reversed	1,877	1,410
Non-allowable expenses	293	211
Tax expenses on behalf of previous years	-	(91)
Miscellaneous	(927)	(788)
Tax on income	<u>72</u>	<u>(38)</u>

6. Net losses carry forwards:

As of December 31, 2021, and 2020, the Group has estimated carry forward tax losses of approximately 10,072 and 5,761, 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.

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NOTE 23 - 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 maker, follows:

For the year ended December 31, 2021:

	Traditional Segment	New Technologies Segment	Total
Segment revenue	22,183	921	23,104
Segment operating profit (loss)	2,473	(6,542)	(4,069)
Financial income			309
Financial expense			2,855
Group loss before tax			<u>(6,615)</u>

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NOTE 23 - OPERATING SEGMENTS (CONT.):

For the year ended December 31, 2020:

	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)

NOTE 24 - COMMITMENTS 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, 2021 and 2020, the liability for royalties payable is 4 and 10 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.

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NOTE 25 - RELATED PARTIES AND SHAREHOLDERS:

The following transactions arose with related parties:

Transaction - expenses (income)	Year ended December 31, 2021	Year ended December 31, 2020
Salary expenses – Kibbutz Beit Keshet members (shareholder)	39	55
Financial expenses paid to Kibbutz Beit Keshet (shareholder) *	178	186
Wages for directors	214	244
Management fees	277	299
Consulting expenses	366	227
Interest income from shareholders	(25)	(25)

* Office lease

Receivables from related parties

Name	Nature of transaction	December 31, 2021	December 31, 2020
Related parties (presented under loan to related parties)	Loans to shareholders	447	454
Related parties (presented under other accounts receivables)	Ongoing transactions	66	53

Liabilities to related party

Name	Nature of transaction	December 31, 2021	December 31, 2020
Related parties (presented under trade accounts payable)	Ongoing transactions	(318)	(209)

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NOTE 26 - 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	1,981	1,478
Trade accounts receivable	7,576	5,432
Other accounts receivable	293	738
Loans to related party	447	454
Total	<u>10,297</u>	<u>8,102</u>

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NOTE 26 - 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, 2021

	NIS	AUD	EURO	CNY	TOTAL
Cash and cash equivalents	360	1,002	319	100	1,781
Trade accounts receivable	3,038	-	765	-	3,803
Other accounts receivable	194	-	92	14	300
Loans to related party	447	-	-	-	447
	4,039	1,002	1,176	114	6,331

Liabilities

	NIS	AUD	EURO	CNY	TOTAL
Short term loans	3,863	-	499	-	4,362
Trade accounts payable	1,787	75	335	396	2,593
Other accounts payable	2,460	90	192	204	2,946
Long term loans	-	-	404	-	404
Lease liabilities	5,723	-	-	176	5,899
	13,833	165	1,430	776	16,204

Net	(9,794)	837	(254)	(662)	(9,873)
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NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.):

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 party	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)

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NOTE 26 - 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, 2021	Year ended December 31, 2020
NIS	979	506
AUD	(84)	8
EURO	25	(89)
CNY	66	46

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.

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NOTE 26 - 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.

	Up to 3	Between	Between	Between	Over	
At December 31, 2021	Months	3 and 12	1 and 2	2 and 5	5 years	Total
		months	year	years		
Short term loans	3,868	90	-	-	-	3,958
Trade accounts payable	2,769	-	-	-	-	2,769
Other accounts payable	2,542	1,075	-	-	-	3,617
Lease liabilities	-	-	967	1,322	7,251	9,540
Convertible loan at fair value	-	-	-	5,000	-	5,000
Long term loans	-	-	132	272	-	404
Liability for royalties payable	-	-	4	-	-	4
Total	9,179	1,165	1,103	6,594	7,251	25,292

	Up to 3	Between	Between	Between	Over	
At December 31, 2020	Months	3 and 12	1 and 2	2 and 5	5 years	Total
		months	year	years		
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	585	501	807	582	11,670

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NOTE 27 - SUBSIDIARIES:

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

<u>Entity name</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest at December 31,</u>		<u>Held by</u>
		<u>2021</u>	<u>2020</u>	
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

NOTE 28 - SUBSEQUENT EVENTS:

In January 2022, the Company raised through a Share Placements and a Share Purchase Plan AUD 1,112,500 (approximately 785) by issuing of 5,562,500 fully paid ordinary shares of the Company at an issuance price of AUD 0.2 per share.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 21 March 2022.

1. DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding

Range	No. of Holders of Ordinary Shares	No. of Ordinary Shares	% of Issued Share Capital	No. of Holders of Options Ex price \$0.20, Expiry 11/03/28	No. of Options Ex price \$0.20, Expiry 11/03/28	% of Issued Share Capital	No. of Holders of Options Ex price \$0.32, Expiry 13/04/23	No. of Options Ex price \$0.32, Expiry 13/04/23	% of Issued Share Capital
1 to 1,000	29	5,349	0.00%	-	0	0.00%	0	0	0.00%
1,001 to 5,000	135	422,064	0.25%	-	0	0.00%	0	0	0.00%
5,001 to 10,000	153	1,174,444	0.71%	-	0	0.00%	0	0	0.00%
10,001 to 100,000	280	9,306,172	5.62%	-	0	0.00%	0	0	0.00%
100,001 and over	65	154,674,471	93.41%	3	19,407,064	100.00%	1	15,000,000	100.00%
Total	662	165,582,500	100.00%	3	19,407,064	100.00%	1	15,000,000	100.00%
Holding less than a marketable parcel	95	-	-	-	-	-	-	-	-

[illegible]

2. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders as at 21 March 2022

The names of the twenty largest security holders of quoted equity securities are listed below:

Security Holder	Ordinary Shares	
	Number Held	% of total shares issued
AXCEL PARTNERS VI LLC	53,304,505	32.19%
CONSEPTA (2006) LTD	35,221,200	21.27%
AGRICULTURAL COOPERATIVE SOCIETY LTD	23,060,009	13.93%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,710,584	3.45%
MR WILLIAM SHOLK	5,694,322	3.44%
MATAG INVESTMENTS LTD MR MENACHEM WAINBERG	3,600,000	2.17%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,449,471	2.08%
MS KYLIE LYNETTE NUSKE & MR MATTHEW JAMES COOK <VISION SPLENDID SUPER A/C>	1,700,000	1.03%
CITICORP NOMINEES PTY LIMITED	1,561,399	0.94%
YMLR SUPER PTY LTD <LEWIS SUPER FUND A/C>	1,500,000	0.91%
BONDI PROP PTY LTD	1,400,000	0.85%
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	1,171,903	0.71%
DAYOTU PTY LTD <THE CRANE SUPER FUND A/C>	1,072,000	0.65%
MR GORDON MARK CRANE & MRS ELIZABETH MARIE CRANE	878,000	0.53%
MARC HURWITZ <MARC A HURWITZ REVOCABLE A/C>	820,000	0.50%
VIVRE INVESTMENTS PTY LTD	700,000	0.42%
KYRAN MANAGEMENT AND HOLDINGS	700,000	0.42%
YEHUDA NEUBERGER	696,482	0.42%
YAAKOV S NEUBERGER	608,571	0.37%
CASHBOOK AND JOURNAL PTY LTD	600,000	0.36%
ROUND ETERNAL INVESTMENTS PTY LTD <VISION SPLENDID A/C>	600,000	0.36%
MR KOBI BEN SHABATH	541,964	0.33%
Totals	144,590,419	87.32%

Unquoted equity securities

	Number on issue	Number of holders
Plan Options Exercise price \$0.20, Expiry 11/03/2028	19,407,064	3
Performance Rights	11,563,732	4
Unlisted Options Exercise price \$0.32, Expiry 13/04/2023	15,000,000	1
Unlisted Convertible Notes	5,000,000	1
Restricted Share Units	17,139,517	34

Holders of 20% or more of unquoted equity securities:

Name	Class	Number held
GUY MOSHE	Plan Options Exercise price \$0.20, Expiry 11/03/2028	6,475,688
ELIRAN VAKNIN	Plan Options Exercise price \$0.20, Expiry 11/03/2028	6,475,688
EVYATAR YEDAI	Plan Options Exercise price \$0.20, Expiry 11/03/2028	6,475,688
YORAM BEN-PORAT	Performance Rights	2,890,933
BARAK NIR	Performance Rights	2,890,933
SHLOMO TALITMAN	Performance Rights	2,890,933
DUDI BEN-ELIAHU	Performance Rights	2,890,933
ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C>	Unlisted Options Exercise price \$0.32, Expiry 13/04/2023	15,000,000
YAVNEH GROUP & HAPOEL MIZRAHI GROUP <COOPERATIVE SETTLEMENT A/C>	Unlisted Convertible Notes	5,000,000
IBI TRUST MANAGEMENT <GUY MOSHE A/C>	Restricted Share Units	3,905,339
IBI TRUST MANAGEMENT <ELIRAN VAKNIN A/C>	Restricted Share Units	3,905,339
IBI TRUST MANAGEMENT <EVYATAR YADAI A/C>	Restricted Share Units	3,905,339

3. VOTING RIGHTS

Voting rights are as set out below:

Ordinary shares	All ordinary shares carry one vote per share without restriction.
Plan Options	Do not carry any voting rights
Performance Rights	Do not carry any voting rights
Restricted Share Units	Do not carry any voting rights
Unlisted Options Exercise price \$0.32, Expiry 13/04/2023	Do not carry any voting rights
Unlisted Convertible Notes	Do not carry any voting rights

4. ON-MARKET BUY BACK

There is currently no on-market buyback program

5. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2021 in a way that is consistent with its business objectives and strategy.