



**SHEKEL BRAINWEIGH LTD**

**ARBN 625 669 445**

**ANNUAL REPORT 2023**

**Shekel Brainweigh Ltd (ASX: SBW)**  
**Corporate Directory**  
**31 December 2023**

**Directors**

Arik Schor  
Beth Kaplan  
Isaac Raviv  
Tzipi Avioz  
Michael Hughes  
Gilead Sher  
Shlomo Anikser

**Company Secretary**

Mark Licciardo, Acclime Australia

**Registered Office**

C/ - Acclime Australia  
Level 7, 330 Collins Street  
Melbourne, Victoria, 3000

**Principal Place of Business  
(Israel)**

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Facsimile: +61 2 8098 1163  
Email: [info@shekelonline.com](mailto:info@shekelonline.com)  
Website: [www.shekelbrainweigh.com](http://www.shekelbrainweigh.com)

**Share Register**

Computershare Investor Services Pty Ltd,  
452 Johnston Street,  
Abbotsford, VIC, Australia, 3067

**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 2023 Annual Report for Shekel Brainweigh Limited (ASX: SBW) as we reflect on our achievements and business growth over the past 12 months.

Revenue in 2023 was higher than expected in both the retail and medical businesses and the year was an all-time annual sales record for the Company. We achieved growth of more than +12% in FY2023 (previous year's revenue excludes HW product line which was sold in December 2022), driven by the strength of the global retail business.

In particular, the growth of self-check-out remains robust, and we are successfully adding large new OEMs to our customer list. We are increasingly being viewed as a leader in this space.

During FY2023, Shekel took major efforts to restructure its manufacturing and operations in Asia, transferring most of its activities from China to the Philippines. This effort was successfully completed in December 2023, and we expect this move to have a positive impact on gross margin of the products in FY2024 and going forward.

The gross margin performance of the business declined from 34% to 30% mainly due to:

- One time effort to transfer the HW product line to Rice Lake.
- The war in Israel; and
- Currency translation between US\$ and NIS.

During FY2023 we made progress in bringing SBW's cutting-edge technology to the growing frictionless retail market. Examples of this include initial pilot tests of SBW's innovative smart cart weighing technology and continued roll outs of smart coolers solutions. The team is very focused on commercializing the solutions we have invested in over the past years and beginning to generate a financial return on those investments.

Additionally, we continued to invest in building a stronger organization with new operational talent as well as expanding our supply chain and manufacturing capacity to support growth.

I am also proud to report that despite gross margin challenges, we made significant progress reducing the cash burn rate of the Company. Cash burn from operating activities was reduced by 46% in FY2023 vs FY2022 as the result of revenue growth and overhead expense reduction. The management team is very focused on getting to cash flow breakeven by the end of FY2024.

Finally, during 2023, we secured a US\$6M loan to fund our growth efforts. Some of the Lenders that participated in this loan are shareholders of the Company, which is believed to be a significant expression of confidence that these shareholders have in the Company and the direction it has taken.

I believe Shekel is well positioned to continue its growth in 2024 in both our traditional self-checkout market as well as the continued commercialization of new technologies with

strong partners in the high growth segments of smart carts and smart coolers, which will be executed through the opening of sales and service offices in both the US and EU and recruitment of the appropriate personnel in both markets.

The year ahead will be an important period for Shekel. Our focus is on the ability to commercialize our technologies while reducing cash burn and achieving positive EBITDA. We believe this is very possible to achieve by the end of FY2024.

I thank my fellow board members for their contribution and support to the Company and thank the management team for continued revenue growth and cash burn from operating activities reduction and look forward to sharing our progress and further updates on milestone achievements.

  
Arik Schor  
Chairman and CEO

**Shekel Brainweigh Ltd (ASX: SBW)**  
**Directors' Report**  
**31 December 2023**

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 2023.

**Directors**

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

<b>Name</b>	<b>Status</b>	<b>Appointed</b>	<b>Resigned</b>
Mr Arik Schor	CEO and Executive Chair	30 July 2020	-
Mrs Tzipi Avioz	Non-Executive Director	19 August 2018	-
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 Anikser	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 2023 (2022: nil).

**Review of Operations**

**Business Results**

Shekel achieved record revenue of US\$27.2 million for FY2023. This represented 12% growth on the FY2022 result (2022 result excludes HW product line which was sold in December 2022) and was an all-time top line sales record for the Company.

Shekel's retail segment reported record FY2023 revenue of US\$13.7 million. Shekel's medical segment reported record revenue (excluding HW product line) of US\$9.2 million and its industrial and service segment, located in Israel, reported revenue of US\$4.3 million.

Shekel achieved growth across its retail and medical product lines in all geographies, driven by market share growth from existing key customers.

The opportunity pipeline in both the self-checkout and the smart coolers and smart cart businesses is strong and represents potential for significant growth in 2024.

**Shekel Brainweigh Ltd (ASX: SBW)**  
**Directors' Report**  
**31 December 2023**

**Iron Swords War in Israel**

On October 7, 2023, Israel was attacked by the Hamas, an event which started the Iron Swords War.

The main effects of the war, which is still ongoing, on Shekel are as follows:

- Revenue from all business segments in the Israeli local markets have significantly dropped in Q4 2023 both compared to Q4 2022 and to the Company's plan for Q4 2023. As of the end of Q1 2024, the revenue from the Israeli local business resumed to expected levels.
- An increase in prices of shipping goods from the Far East and delays in shipping goods from the Far East due to the situation caused by the war in the Red Sea; and
- Five employees and management team members were called by the Israeli army for a service period of 3-5 months.

**Continued New Product Development**

Development of Shekel's Smart Cart solution continues. The development of the security component of the solution is now complete and it has been purchased by several large Smart Cart manufacturers and retailers. The "legal for trade" componentry completed development and started regulation processes in Q1 2024.

Shekel's Product Aware shelves technology (used in bay and smart coolers) continue to see growing demand in multiple use cases such as the smart vending/coolers, smart stores and smart cabinets/bays applications. Shekel continues to build a robust pipeline with end users, operators and integrators in the US and EU markets.

**Research & Development and Sales & Marketing**

The Company continued to invest in research and development and sales and marketing during FY2023, implementing a growth strategy set by the Company's Board and management in early 2022.

**Results of Operations**

Shekel achieved total group revenues of US\$27.2 million for FY2023, a 12% growth on FY2022 result (2022 result excludes HW product line which was sold in December 2022). This was driven by market share growth from existing key customers and the addition of new customers to help diversify the customer basis and provide more long-term stability.

**Shekel Brainweigh Ltd (ASX: SBW)**  
**Directors' Report**  
**31 December 2023**

Shekel gross margin declined significantly from 34% in FY2022 to 30% in FY2023 mainly due to:

- One time effort to transfer the HW product line to Rice Lake, as part of the sale of the HW line in December 2022. This effort was also successfully completed in December 2023.
- The war in Israel which negatively affected sales and services to the very profitable Israeli market in Q4 2023. These sales and services have now resumed to normal levels.
- Currency translation between US\$ and NIS which negatively affected the revenue coming out of Israel (alongside additional negative impact on another section of the P&L report: the financial expenses).

Despite the decrease in gross profit, cash burn from operating activities was reduced by 46%, from -US\$4.9M in FY 2022 to -US\$2.6M in FY2023, mainly due to the revenue growth and reduction in overall operating expenses.

**Cash Situation**

As of 31 December 2023, the Company had cash reserves of US\$1.724 million compared to US\$1.892million on 31 December 2022.

During FY2023, Shekel received several loans in a total amount of US\$6million. 50% of the loans bear interest of 8% per annum accompanied by an option to buy 1.5 shares of the Company per each 1 US dollar loaned, and the other 50% of the loans bear interest of 12.5% per annum accompanied by an option to buy 2.5 shares of the Company per each 1 US dollar loaned. All options have been exercised and converted into shares post 31 December 2023.

## Shekel Brainweigh Ltd (ASX: SBW)

### Directors' Report

31 December 2023

#### Information on Directors

<b>Mr Arik Schor</b>	<b>Chairman and Chief Executive Officer</b>
<b>Qualifications</b>	BA in Computer Science and BSc in Civil Engineering from Technion, Israel Institute of Technology.
<b>Experience</b>	<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 is an Independent Director at Paz Oil Company Ltd, which is a publicly listed company on the Tel-Aviv stock exchange. Mr Schor is also 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 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 was the Chief Executive Officer of Holga Kimberly (a subsidiary of Kimberly Clarke).</p>
<b>Interest in Shares and Options</b>	Nil
<b>Mrs Tzipi Avioz</b>	<b>Non-Executive Director</b>
<b>Qualifications</b>	BA in Sociology and Political Sciences from Hebrew University.
<b>Experience</b>	<p>Mrs Avioz has over 25 years' experience in the technology sector, with a particular focus on data analytics and delivering large digital transformation programs. Since April 2016, Mrs Avioz has 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 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. Mrs Tzipi is currently a director of ASX listed Jayride Group Limited.</p>
<b>Interest in shares and Options</b>	Nil



## Shekel Brainweigh Ltd (ASX: SBW)

### Directors' Report 31 December 2023

#### 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 fundraising initiatives, with a technology focus. Between 1990 and 1993, Mr. Raviv served as chief executive officer for Aerotel, a developer and supplier of medical devices and digital dialing 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 technology products. Before this, Mr. Raviv was senior corporate vice-president for international sales and marketing at Tadiran Electronic Industries Ltd for 10 years, with responsibility for telecoms, communications and electronics sales and marketing. In this role, he was responsible for numerous sales and cooperation agreements with major international companies and governmental bodies involved in the sale of complete products and systems as well as providing insight into production and technical support. Across these roles, Mr. Raviv has gained extensive knowledge in commercialising technology products developed by Israeli companies to new overseas markets.

Between 1995 and 2016, Mr. Raviv has also been a chair for a number of technology companies including Maytronics, SafePlace, BlueEye and, more recently, Eltam and Engage lot 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, the company's sales increased 10% annually. In 2008, Mr. Raviv also initiated and oversaw the sales process of SafePlace to Elsafe, a subsidiary of Asa Abloy for US\$27 million.

##### Interest in shares and Options

Nil

## Shekel Brainweigh Ltd (ASX: SBW)

### Directors' Report 31 December 2023

#### **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 optimizing retail operations. Mrs. Kaplan currently serves as a director of four public companies in the U.S. (Howard Hughes Corporation, Crocs Inc., Rent The Runway and Brilliant Earth) and two private companies (Coopers Hawk and GoodBuy Gear). Also, Ms. Kaplan has been a venture partner and the managing member at Axcel Partners LLC for over ten years and also serves as a Venture Partner at Revolution Ventures. Mrs. Kaplan's previous senior management positions include 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.

Mrs. 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 Centers, Mrs. 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**

53,137,477 held by Axcel Partners VI LLC

#### **Mr Michael Hughes** **Qualifications**

#### **Non-Executive Director**

Master 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 in the finance sector including investment management, investor relations and commercial banking. Between 2014 and 2019 he served as commercial director of SeaLink Travel Group, a leading transport and tourism company and was previously chairman of Wiseway Group, a freight and logistics company, both listed on the ASX. Mr Hughes is currently on the board of Nasdaq listed Mawson Infrastructure Group Inc (Nasdaq: MIGI).

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

**Shekel Brainweigh Ltd (ASX: SBW)**  
**Directors' Report**  
**31 December 2023**

<b>Mr Shlomo Anikser</b>	<b>Non-Executive Director</b>
<b>Qualifications</b>	Bachelor of Arts in Mechanical Engineering and Master of Science in Mechanical Engineering
<b>Experience</b>	<p>Mr Anikser has 24 years of experience in leadership and executive roles across production, inventory, logistics and operation management.</p> <p>He previously held senior positions at Kvutzat Yavne Food Industry, GAASH Diamond Tools and Sales, Century Company, and Haaretz Chicken Slaughterhouse.</p> <p>Mr Anikser holds a unique set of skills, possessing a deep and trusted network, and depth of experience in production and inventory management.</p>
<b>Interest in Shares and Options</b>	Nil

<b>Mr Gilead Sher</b>	<b>Non- Executive Director</b>
<b>Qualifications and Experience</b>	<p>Mr Sher was Chief of Staff and policy coordinator to Israeli Prime Minister and Minister of Defense Ehud Barak, a senior negotiator at the Camp David summit and the Taba talks (1999-2001), and formerly a delegate to the 1995 Israeli-Palestinian Interim Agreement negotiations under PM Rabin. He is the Isaac and Mildred Brochstein Fellow in Middle East Peace and Security in Honor of Yitzhak Rabin at the Baker Institute and served as a senior fellow at the Tel Aviv Institute for National Security Studies INSS.</p> <p>Since 2013, Mr Sher chairs the Executive Board of Sapir Academic College, one of the leading public colleges in Israel, situated in the Gaza envelope.</p> <p>In late 2022, he co-founded the Central Headquarters of the Pro-Democracy Resistance movements, which he co-leads from the outset. During the 2023-2024 Gaza War, he served as coordinator between the intel and ops IDF directorate for the hostages and the families of the hostages.</p> <p>The law firm he founded in 1989, Gilead Sher, Talhami &amp; Co., has extensive experience in complex commercial, civil, and administrative cases with national, regional, and international dimensions, negotiation strategy, and representation of leading clients from the business, private, governmental, and public</p>

sectors. Sher is ranked internationally as a leading commercial arbitrator and administrative law expert. He sits on the board of several public and private companies.

Alumni of Jerusalem's Hebrew University, Sher was a visiting professor and Israel studies fellow at Georgetown University in 2019, a lecturer on law at Harvard Law School in fall 2016 and a non-resident guest lecturer at the University of Pennsylvania's Wharton School.

**Interest in Shares  
and Options**

Nil

## Shekel Brainweigh Ltd (ASX: SBW)

### Directors' Report 31 December 2023

#### 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	5	5
Mrs Tzipi Avoz	5	5
Mrs Beth Kaplan	5	5
Mr Isaac Raviv	5	4
Mr Michael Hughes	5	4
Mr Shlomo Anikser	5	5
Mr Gilead Sher	5	5

#### 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	12,951,376

#### 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	1,735,000
29 March 2022	4 years from issue date	Nil	1,255,500
11 June 2023	4 years from issue date	Nil	4,000,000
13 September 2023	4 years from issue date	Nil	210,000

## **Shekel Brainweigh Ltd (ASX: SBW)**

### **Directors' Report**

**31 December 2023**

During the year ended 31 December 2023:

- 430,500 Restricted Share Units were converted into Fully Paid Ordinary Shares on 12 January 2023 for nil consideration;
- 6,455,688 Options (Expiring 11 March 2028) were cancelled by agreement between the entity and the holder on 28 February 2023;
- 2,890,933 Performance Shares were converted into Fully Paid Ordinary Shares on 28 February 2023 for nil consideration;
- 15,000,000 Options (Expiring 13 April 2023) expired on 13 April 2023;
- 2,890,933 Performance Shares were converted into Fully Paid Ordinary Shares on 25 May 2023 for nil consideration;
- 4,000,000 Restricted Share Units were issued on 11 June 2023 for nil consideration;
- 670,000 Restricted Share Units lapsed on 21 June 2023;
- 4,429,500 Tranche 1 Lender Options were issued on 28 June 2023 for nil consideration and were subsequently converted into Fully Paid Ordinary Shares on 1 July 2023 at an exercise price of \$0.0525 per share;
- 210,000 Restricted Share Units were issued on 13 September 2023 for nil consideration; and
- 3,3250,000 Tranche 2 Lender Options were issued on 12 December 2023 for nil consideration.

### **Performance Rights**

As at the date of this report there are no performance rights on issue and there were no performance rights on issue as at 31 December 2023.

### **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.

## **Shekel Brainweigh Ltd (ASX: SBW)**

### **Directors' Report**

**31 December 2023**

#### **Insurance Premiums**

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

#### **Environmental Regulations**

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

#### **Non-audit Services**

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

#### **Future Developments**

The Company will increase marketing efforts to penetrate large markets for smart coolers, smart carts and autonomous shopping solutions while strengthening existing strategic relationships with multinational giants such as Hitachi, Intel, UST, Imbera Cooling, Atos, GK and Cloud-pick, as a key to Shekel's Go-To-Market strategy.

The Company will also focus on improving gross profit through sales to its core multinational customers such as Toshiba, Fujitsu, Zebra and Diebold-Nixdorf, advancing its self-checkout solution, Scanner Scale units, and expanding its industrial projects and service providing in Israel.


#### **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 (e.g. substantial holders 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.

**Shekel Brainweigh Ltd (ASX: SBW)**  
**Directors' Report**  
**31 December 2023**

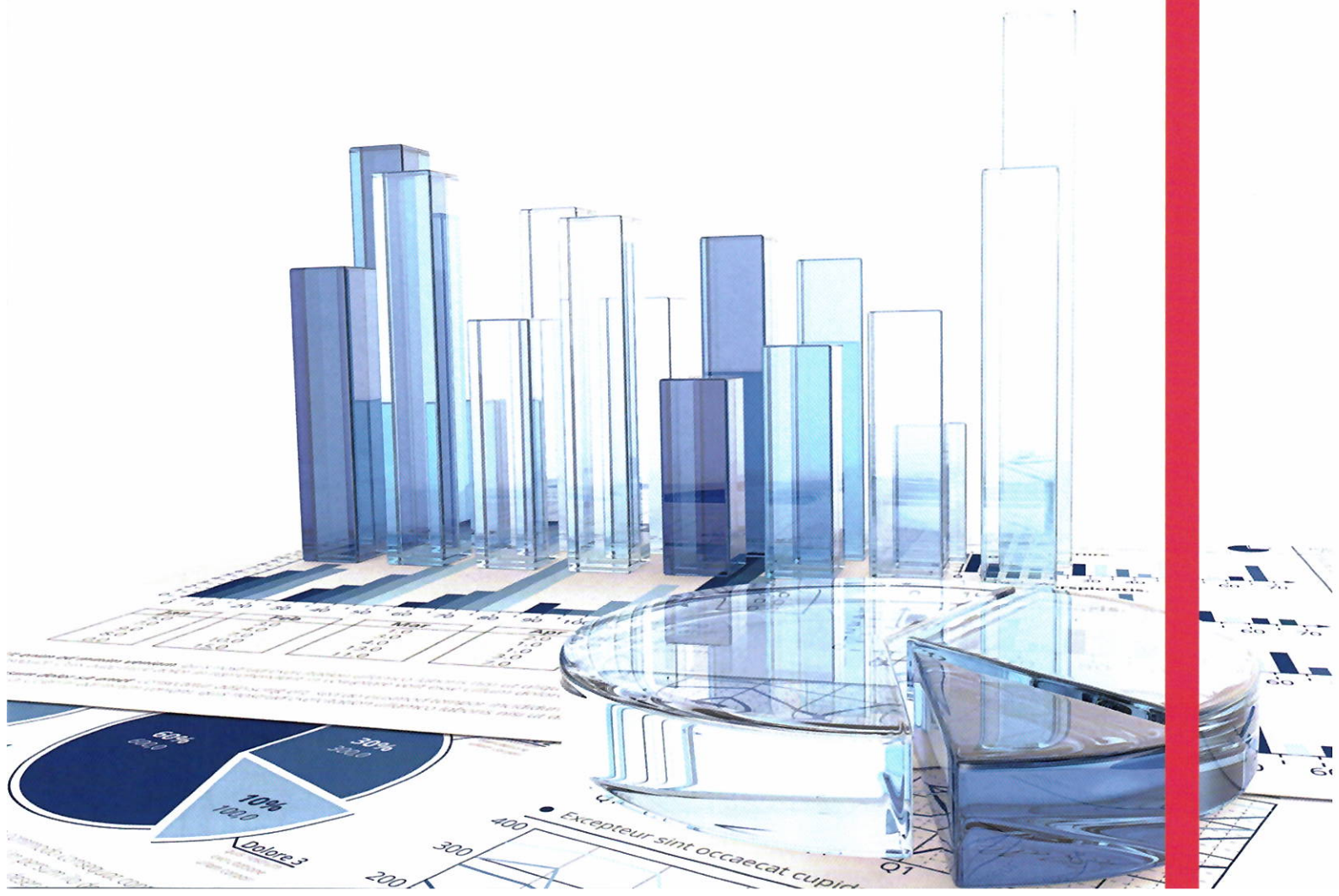
In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. Otherwise, the acquisition 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.

  
Atik Schor  
Chairman and CEO



# SHEKEL BRAINWEIGH LTD.

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2023



**SHEKEL BRAINWEIGH LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2023**

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

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## 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, 2023, the related statements of comprehensive income, changes in shareholders equity (deficit) and cash flows for the year ended December 31, 2023, 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, 2023, its financial performance, changes in equity (deficit) and its cash flows for the year ended December 31, 2023 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](mailto:bdo@bdo.co.il) **Website:** [www.bdo.co.il](http://www.bdo.co.il)

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<i>Convertible loan at fair value</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 13 to the financial statements, during 2021 the Company raised USD 5,021 thousand by issuing a convertible loan. As of December 31, 2023, the convertible loan's fair value is USD 6,098 thousand and the Company recognized a decrease of USD 198 thousand from changes in the convertible loan's fair value as finance income for the year then ended.</p> <p>As described in Notes 2 and 13, the convertible loan can be converted in the period from two to four years from issuing date and can be repaid in cash. The conversion price varies and depends on market conditions. The Company designated the whole financial instrument to be measured at fair value through profit or loss.</p> <p>The fair value measurement of the convertible loan is partly based on assumptions and estimates which involves judgments and therefore is considered an area of audit focus.</p>	<p>Our procedures in respect of this area included:</p> <ul style="list-style-type: none"> <li>• We held discussions with key management personnel and reading relevant documents to understand the conditions of the conversion loan and to make sure that there was no change in relation to our acquaintance in previous years.</li> <li>• We evaluated the fair value calculation and performed a shadow calculation for the fair value.</li> <li>• We tested the reasonability of the assumptions used and the methodology of the calculation.</li> <li>• We verified the base data of the calculations with reference, if necessary, to external data.</li> <li>• We considered the adequacy of the Company's disclosures related to the convertible loan.</li> </ul>

<b>Tel Aviv</b> 03-6386868	<b>Jerusalem</b> 02-6546200	<b>Haifa</b> 04-8680600	<b>Beer Sheva</b> 077-7784100	<b>Bnei Brak</b> 073-7145300	<b>Kiryat Shmona</b> 077-5054906	<b>Petah Tikva</b> 077-7784180	<b>Modiin Ilit</b> 08-9744111	<b>Nazrat Ilit</b> 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, 2023, 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.

<b>Tel Aviv</b> 03-6386868	<b>Jerusalem</b> 02-6546200	<b>Haifa</b> 04-8680600	<b>Beer Sheva</b> 077-7784100	<b>Bnei Brak</b> 073-7145300	<b>Kiryat Shmona</b> 077-5054906	<b>Petah Tikva</b> 077-7784180	<b>Modiin Ilit</b> 08-9744111	<b>Nazrat Ilit</b> 04-6555888
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**Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001**    **Email: [bdo@bdo.co.il](mailto:bdo@bdo.co.il)**    **Website: [www.bdo.co.il](http://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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

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

Meirav Goldman  
Partner  
Tel-Aviv, Israel  
March 26, 2024

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
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

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

	<u>Note</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		1,724	1,892
Trade accounts receivable, net	4	7,607	8,186
Other accounts receivable	5	882	1,957
Inventories	6	4,628	5,114
Loan to related party	9	160	157
		<u>15,001</u>	<u>17,306</u>
 <b>Non-Current Assets:</b>			
Right of use assets, net	23	5,693	6,132
Property, plant and equipment, net	7	980	825
Intangible assets, net	8	569	1,400
		<u>7,242</u>	<u>8,357</u>
 <b>Total Assets</b>		 <u><u>22,243</u></u>	 <u><u>25,663</u></u>

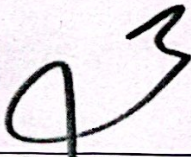
**The accompanying notes are an integral part of the financial statements.**



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

	Note	December 31, 2023	December 31, 2022
<b>LIABILITIES AND EQUITY (DEFICIT)</b>			
<b>Current Liabilities:</b>			
Short term loans and current portion of long-term loans	11	9,218	6,301
Trade accounts payable		3,713	2,294
Other accounts payable	10,23	2,996	4,480
Convertible loan at fair value	13	6,098	6,499
Warrants	11	116	-
		22,141	19,574
<b>Non-Current Liabilities:</b>			
Lease liabilities	23	4,860	5,052
Long term loans	11	210	292
Employee benefit liabilities		22	457
Liability for royalties payable	26	4	4
		5,096	5,805
<b>Equity (deficit):</b>	14		
<b>Deficiency attributable to owners of the parent:</b>			
Share capital and premium		13,652	13,163
Foreign exchange reserve		(89)	(105)
Share based payment reserve		1,361	1,527
Retained losses		(20,625)	(14,887)
Total deficiency attributable to owners of the parent		(5,701)	(302)
Non - controlling interest		707	586
<b>Total Equity (deficit)</b>		(4,994)	284
<b>Total Liabilities and Equity (deficit)</b>		22,243	25,663

  
 \_\_\_\_\_  
 Arik Schor  
 CEO

  
 \_\_\_\_\_  
 Barak Nir  
 CFO

March 26, 2024  
 \_\_\_\_\_  
 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, 2023	Year ended December 31, 2022
Revenues	15	27,192	26,355
Cost of revenues	16	19,126	17,392
<b>Gross profit</b>		8,066	8,963
Research and development expenses	17	3,811	3,966
Selling and marketing expenses	18	3,644	3,803
General and administrative expenses	19	4,919	5,561
Other income	20	(3)	(2,202)
Expected credit loss (benefit)	9	(8)	239
<b>Operating loss</b>		(4,297)	(2,404)
Financial income	21	291	1,756
Financial expense	22	1,455	2,018
<b>Loss before tax</b>		(5,461)	(2,666)
Tax on income	24	114	279
<b>Loss for the year</b>		(5,575)	(2,945)
<b>Other comprehensive income (loss), net of tax:</b>			
Items that will or may be reclassified to profit or loss:			
Exchange rate income (losses) arising on translation of foreign operations		38	(140)
<b>Total comprehensive loss for the year</b>		(5,537)	(3,085)
<b>Gain (loss) for the year attributed to:</b>			
Owners of the parent		(5,712)	(3,060)
Non - controlling interest		137	115
		(5,575)	(2,945)
<b>Total comprehensive gain (loss) for the year attributed to:</b>			
Owners of the parent		(5,696)	(3,175)
Non - controlling interest		159	90
		(5,537)	(3,085)
Basic and diluted loss per share	14	\$(0.03)	\$(0.02)

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

**SHEKEL BRAINWEIGH LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**

(US Dollar in thousands)

	Equity (deficiency) attributable to owners of the parent				Non-controlling interest	Total	
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained losses			Total
<b>Balance at January 1, 2022</b>	9,926	10	2,955	(11,805)	1,086	496	1,582
<b>Changes during 2022:</b>							
Profit (loss) for the year	-	-	-	(3,060)	(3,060)	115	(2,945)
Other comprehensive losses	-	(115)	-	-	(115)	(25)	(140)
Total comprehensive income (loss)	-	(115)	-	(3,060)	(3,175)	90	(3,085)
Issue of shares, net	754	-	-	-	754	-	754
Share based payment	-	-	739	-	739	-	739
Exercise of options, RSU's and warrants	2,483	-	(2,167)	-	316	-	316
Benefit to owners	-	-	-	(22)	(22)	-	(22)
<b>Balance at December 31, 2022</b>	<u>13,163</u>	<u>(105)</u>	<u>1,527</u>	<u>(14,887)</u>	<u>(302)</u>	<u>586</u>	<u>284</u>
<b>Changes during 2023:</b>							
Profit (loss) for the year	-	-	-	(5,712)	(5,712)	137	(5,575)
Other comprehensive income	-	16	-	-	16	22	38
Total comprehensive income (loss)	-	16	-	(5,712)	(5,696)	159	(5,537)
Share based payment	-	-	61	-	61	-	61
Dividend to non-controlling interest	-	-	-	-	-	(38)	(38)
Exercise of RSU's and warrants	489	-	(227)	-	262	-	262
Benefit to owners	-	-	-	(26)	(26)	-	(26)
<b>Balance at December 31, 2023</b>	<u>13,652</u>	<u>(89)</u>	<u>1,361</u>	<u>(20,625)</u>	<u>(5,701)</u>	<u>707</u>	<u>(4,994)</u>

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

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

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss for the year	(5,575)	(2,945)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,699	1,666
Change in fair value of warrants	28	(29)
Decrease (increase) in trade accounts receivable, net	579	(610)
Decrease (increase) in other accounts receivable	94	(197)*
Decrease (increase) in inventories	486	(849)
Increase (decrease) in trade accounts payable	1,419	(475)
Increase (decrease) in other accounts payable	(870)	361
Increase (decrease) in employee benefits	(435)	117
Financial income charged to equity	(26)	(22)
Change in fair value of convertible loan	(198)	925
Capital gain from sale of Healthweigh products line (see note 1)	-	(2,183)
Capital gain from sale of property, plant and equipment	(3)	(19)
Impairment of intangible assets	362	184
Expected credit loss (benefit)	(8)	239
Share based payment	61	739
Financial income, net	(151)	(1,769)
<b>Net cash used in operating activities</b>	<b>(2,538)</b>	<b>(4,867)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(435)	(357)
Proceeds from sale of Healthweigh products line (see note 1)	961	1,964
Proceeds from sale of property, plant and equipment	38	19
Deposit for a new lease agreement	(17)	(19)*
Capitalized development costs	-	(11)
<b>Net cash provided by investment activities</b>	<b>547</b>	<b>1,596</b>

\*Reclassified

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

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of shares, net	-	754
Issuance of warrants	195	85
Receipt (payment) of short-term finance, net	(354)	503
Exercise of options and warrants into shares	154	258
Principal paid on lease liabilities	(810)	(810)
Receipt of long-term loans	1,474	85
Payment of long-term loans	(364)	(107)
Dividend to non-controlling interest	(38)	-
Receipt of short-term loans, net	1,527	2,552
<b>Net cash provided by financing activities</b>	<b>1,784</b>	<b>3,320</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(207)</b>	<b>49</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,892</b>	<b>1,981</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>39</b>	<b>(138)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,724</b>	<b>1,892</b>

**APPENDIX A - NON-CASH ACTIVITIES:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Recognition of right of use assets and lease liabilities	469	569
Receivables due to sale of Healthweigh products line (see note 1)	-	961
Exercise of warrants into shares	108	58

**APPENDIX B - AMOUNTS PAID DURING THE YEAR FOR:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Income tax paid	24	10
Interest paid	1,015	811

**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 leaders of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.
- Starting October 7, 2023, following the Hamas terrorists attack on Israel, Israel has announced the "Iron Swords" war. At the same time, the clash between Israel and Hezbollah in Lebanon has escalated and there is a possibility that it will turn into a greater regional conflict in the future. The current war situation had an impact on some of the Group's activities as follows:
  - 1) A minor decrease in the volume of orders and sales.
  - 2) Prolongation in delivery schedules and increase in shipping and handling expenses.
  - 3) An increase in the exchange rate of foreign currencies relative to the NIS.
  - 4) Some Israeli citizens were called to active military duty.

As of these financial statements signing date, these events have had no material impact on the Group's operations.

- On November 21, 2022, Shekel Scales (2008) Ltd. (the "Subsidiary") sold the manufacture and assembly healthweigh products line ("HW products line") which located in its Chinese subsidiary Shekel (Ningbo) Scales Ltd. (the "Chinese subsidiary"), to a US-based company - Rice Lake Weighing Systems ("Rice Lake"). The total consideration amounted to 3,425 out of which 2,925 was classified as consideration for the assets sold and 500 for services that the Subsidiary will provide to Rice Lake. In accordance with the agreement, 90% of the consideration for the assets sold is due on the agreement's closing date and the additional 10% of the consideration for the assets sold shall be paid within three days of the first anniversary of the closing date. Total capital gain from the sale of HW products line amounted to 2,183.

**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 companies detailed in Note 29.

**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.

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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**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.

**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 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 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.



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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Fair value measurement**

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

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

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

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

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

Classification by fair value hierarchy

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data).

**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, short-term loans 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. Fair value through profit or loss: this category comprises of convertible loan, which was designated upon initial recognition according to IFRS 9, options and warrants, that are denominated in a currency other than the functional currency of the Company and considered a

**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.)

derivative liability. 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.

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

**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).

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.

**SHEKEL BRAINWEIGH LTD.**  
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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:

	<u>Annual depreciation rate</u> (%)	<u>Main annual depreciation rate</u> (%)
Vehicles	15-25	25
Electronic equipment and software	10-33	33
Leasehold improvements	10	10
Furniture and equipment	10-33	15

**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. Intangible 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).

**SHEKEL BRAINWEIGH LTD.**  
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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.

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the Group will meet the terms for forgiveness of the loan.

**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 which are paid within one year after the period of service, measured on a nominal basis 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.

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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 adopted from January 1, 2023**

The following amendments are effective for the period beginning January 1, 2023:

*Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.



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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New standards, interpretations and amendments adopted from January 1, 2023 (Cont.)**

*Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);*

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the consolidated financial statements of the Group.

**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.

The following amendments are effective for the period beginning January 1, 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The Group is currently assessing the impact of these new accounting standards and amendments.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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 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 was designated to be measured at fair value through profit or loss. The fair value as at December 31, 2023 was estimated based on 25% discount of the quoted share price of the Company due to the fact that it can be converted starting this date at the Notes holders discretion. The fair value as at December 31, 2022 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 comprehensive income in specific periods.

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

**NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.):**

**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.

**NOTE 4 - TRADE ACCOUNTS RECEIVABLE, NET:**

**Composition:**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade accounts receivable	7,629	8,202
Less: impairment allowance for trade accounts receivable	(22)	(16)
	<u>7,607</u>	<u>8,186</u>

**Aging analysis of trade accounts receivable\*:**

	<b>More than 90 days</b>	<b>60-90 days</b>	<b>30-60 days</b>	<b>Up to 30 days</b>	<b>Current</b>	<b>Total</b>
Balance as of December 31, 2023	29	13	327	803	6,457	7,629
Balance as of December 31, 2022	73	43	205	535	7,346	8,202

\*The time frames represent overdue periods.

**NOTE 5 - OTHER ACCOUNTS RECEIVABLE:**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Advances to suppliers	310	306
Institutions	282	280
Prepaid expenses	238	340
Related parties	50	41
Others	2	29
Rick Lake receivables due to sale of Healthweigh products line	-	961
	<u>882</u>	<u>1,957</u>

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 6 - INVENTORIES:**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	2,871	2,744
Work in process	-	218
Finished goods	<u>1,757</u>	<u>2,152</u>
	<u>4,628</u>	<u>5,114</u>

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET:**

	<u>Leasehold improvements</u>	<u>Furniture and equipment</u>	<u>Vehicles</u>	<u>Electronic equipment and software</u>	<u>Total</u>
<b>Cost:</b>					
<b>As of January 1, 2023</b>	213	1,559	161	1,092	3,025
Additions	43	152	98	142	435
Disposals	-	(31)	(43)	(118)	(192)
<b>As of December 31, 2023</b>	<u>256</u>	<u>1,680</u>	<u>216</u>	<u>1,116</u>	<u>3,268</u>
<b>Accumulated depreciation:</b>					
<b>As of January 1, 2023</b>	(25)	(1,165)	(68)	(942)	(2,200)
Additions	(23)	(75)	(36)	(111)	(245)
Disposals	-	30	25	102	157
<b>As of December 31, 2023</b>	<u>(48)</u>	<u>(1,210)</u>	<u>(79)</u>	<u>(951)</u>	<u>2,288</u>
<b>Net Book Value:</b>					
<b>As of December 31, 2023</b>	<u>208</u>	<u>470</u>	<u>137</u>	<u>165</u>	<u>980</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET (CONT.):**

	<b>Leasehold improvements</b>	<b>Furniture and equipment</b>	<b>Vehicles</b>	<b>Electronic equipment and software</b>	<b>Total</b>
<b>Cost:</b>					
<b>As of January 1, 2022</b>	135	1,411	159	1,285	2,990
Additions	78	204	2	73	357
Disposals	-	(56)	-	(266)	(322)
<b>As of December 31, 2022</b>	<u>213</u>	<u>1,559</u>	<u>161</u>	<u>1,092</u>	<u>3,025</u>
<b>Accumulated depreciation:</b>					
<b>As of January 1, 2022</b>	(9)	(1,167)	(24)	(987)	(2,187)
Additions	(16)	(54)	(44)	(162)	(276)
Disposals	-	56	-	207	263
<b>As of December 31, 2022</b>	<u>(25)</u>	<u>(1,165)</u>	<u>(68)</u>	<u>(942)</u>	<u>(2,200)</u>
<b>Net Book Value:</b>					
<b>As of December 31, 2022</b>	<u>188</u>	<u>394</u>	<u>93</u>	<u>150</u>	<u>825</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 - INTANGIBLE ASSETS, NET:**

For the year ended December 31, 2023:

	<b>Internally generated capitalized development costs</b>	<b>Acquired technology</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost:</b>				
<b>As of January 1, 2023</b>	2,337	546	102	2,985
Disposals	-	(546)	-	(546)
<b>As of December 31, 2023</b>	<u>2,337</u>	<u>-</u>	<u>102</u>	<u>2,439</u>
<b>Accumulated amortization:</b>				
<b>As of January 1, 2023</b>	(1,401)	(184)	-	(1,585)
Additions	(469)	-	-	(469)
Impairment	-	(362)	-	(362)
Disposals	-	546	-	546
<b>As of December 31, 2023</b>	<u>1,870</u>	<u>-</u>	<u>-</u>	<u>1,870</u>
<b>Net Book Value:</b>				
<b>As of December 31, 2023</b>	<u><b>467</b></u>	<u><b>-</b></u>	<u><b>102</b></u>	<u><b>569</b></u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 - INTANGIBLE ASSETS, NET (CONT.):**

For the year ended December 31, 2022:

	<b>Internally generated capitalized development costs</b>	<b>Acquired technology</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost:</b>				
<b>As of January 1, 2022</b>	2,337	535	102	2,974
Additions	-	11	-	11
<b>As of December 31, 2022</b>	<u>2,337</u>	<u>546</u>	<u>102</u>	<u>2,985</u>
<b>Accumulated amortization:</b>				
<b>As of January 1, 2022</b>	(934)	-	-	(934)
Additions	(467)	-	-	(467)
Impairment	-	(184)	-	(184)
<b>As of December 31, 2022</b>	<u>(1,401)</u>	<u>(184)</u>	<u>-</u>	<u>(1,585)</u>
<b>Net Book Value:</b>				
<b>As of December 31, 2022</b>	<u>936</u>	<u>362</u>	<u>102</u>	<u>1,400</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.

The Group recognized an amortization of internally generated capitalized development costs in the amount of 469 and 467 for of the year ended December 31, 2023, and 2022, respectively.

During the years ended December 31, 2023 and 2022, the Group recognized an impairment in the amount of 362 and 184, respectively, in behalf of the Acquired technology since the added value of this technology is not clear compared to other systems in the market.

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 - LOAN 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 a third party valuation. The accrued interest on the loan is recorded against equity as benefit to owners.

The Group recognized an expected credit benefit in the amount of 8 and an expected credit loss in the amount of 239 for the years ended December 31, 2023 and 2022, respectively.



**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 10 - OTHER ACCOUNTS PAYABLE:**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Employees, salaries and related liabilities	892	978
Accrued expenses	564	783
Current portion of lease liabilities	543	803
Provision for vacation	467	427
Short-term finance	149	503
VAT	146	213
Tax authorities	123	251
Customers advances	55	476
Provision for warranty	32	21
Others	25	25
	<u>2,996</u>	<u>4,480</u>

**NOTE 11 - SHORT AND LONG TERM LOANS:**

1. During 2022, the Subsidiary refinance two short-term loans from two different banks in Israel which amounted to NIS 6 million (1,876) from each bank. These two loans were received in NIS and are NIS linked and bears interest of 7.6%-9.75% per annum.

During 2023, the Subsidiary refinance again these loans and received loans from the same two banks in Israel which amounted to NIS 5.5 million (1,524) from each bank as follows –

- Two loans (NIS 2.5 million (690) from each bank) will be renewed after 12 months from the funding date.
- Two loans (NIS 0.5 million (144) from each bank) will be repaid on a monthly basis within 12 months.
- Two loans (NIS 2.5 million (690) from each bank) will be repaid on a monthly basis within 60 months.

These loans were received in NIS and are NIS linked and bears interest of 7.6%-10.25% per annum which is paid on a monthly basis. As of December 31, 2023 and 2022, the total amount of the loans is 2,637 and 3,427. respectively.

The Subsidiary is required to comply with certain loan covenants in respect of these loans, which relates to minimum debt service coverage ratios, based on a ratio of: (i) cash flows (ii) Operating working capital ratio, and (iii) Trade accounts receivable ratio.

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 11 - SHORT AND LONG TERM LOANS (CONT.):**

The covenants are being tested according to the Subsidiary's financial statements except for the cash flows covenant which is tested on a monthly basis. As of December 31, 2023, the Subsidiary didn't comply with the cash flows covenant, but the bank did not require immediate repayment. Due to this fact, the loans were classified as short-term loans. Subsequently to December 31, 2023, the Subsidiary complied with the cash flows covenant which was tested at the end of January and February 2024. As of the approval date of these financial statements, the Subsidiary complies with all the loans covenants.

2. During 2022, the Company entered into a Loan and warrants agreement (the "Loan and Warrants Agreement") with five lenders. The Company received a total of 3,000 from the lenders in three installments. According to the terms of the loan, it will be repaid after 12 months from funding date of each installment. The loan has a maturity of one year and bears interest rate of 8% per annum. As part of the Loan and Warrants Agreement, the lenders were given an option (the "Warrants") to purchase the Company's ordinary shares (1.5 shares for every USD 1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date. The Warrants were measured at fair value at the funding date. The loan bears effective interest rate of 11% per annum.  
As of December 31, 2022, all Warrants were converted into 4,500,000 ordinary shares of the Company. The Company repaid 700 of this loan's principal amount (100 during December 2022 and the additional 600 in January 2023). As of December 31, 2022, the total amount of the loan including the accrued interest is 2,719.
3. In January 2023, the Company entered into an additional Loan and warrants agreement (the "January 2023 Loan and Warrants Agreement") with seven lenders. The Company received a total of 2,953 from the lenders out of which 653 were received in cash and 2,300 were a renewal of the "Loan and Warrants Agreement" principal loan amount. According to the terms of this loan, it will be repaid after 12 months from funding date of each installment. The loan has a maturity of one year and bears interest rate of 8% per annum. As part of the January 2023 Loan and Warrants Agreement, the lenders were given an option (the "January 2023 Warrants") to purchase the Company's ordinary shares (1.5 shares for every USD 1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the January 2023 Warrants. The January 2023 Warrants may be exercised within 24 months from the funding date. The January 2023 Warrants were measured in fair value. The loan bears effective interest rate of 11% per annum. Following negotiations, these loans were renewed in January 2024 (see note 30).

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 11 - SHORT AND LONG TERM LOANS (CONT.):**

During 2023, all January 2023 Warrants were converted into 4,429,500 ordinary shares of the Company. As of December 31, 2023, the total amount of the loan including the accrued interest is 3,070. As of the financial statement date, the January 2023 loan amount has not been repaid yet, the Company and the lenders are currently negotiating an extension details.

4. During 2023, the Company entered into an additional Loan and warrants agreement (the "Additional Loan and Warrants Agreement") with seven lenders. The Company received a total of 3,000 from the lenders. According to the terms of this loan, it will be repaid after 12 months from funding date of each installment. The loan has a maturity of one year and bears interest rate of 12.5% per annum. As part of the Additional Loan and Warrants Agreement, the lenders were given an option (the "Additional Warrants") to purchase the Company's ordinary shares (2.5 shares for every USD 1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Additional Warrants. The Additional Warrants may be exercised within 24 months from the funding date. The Additional Warrants were measured in fair value. The loan bears effective interest rate of 17% per annum. As of December 31, 2023, the total amount of the Additional Warrants fair value is 116 and the total amount of the loan including the accrued interest is 2,752. In January 2024, all Warrants were converted into 7,500,000 ordinary shares of the Company.
5. In June 2023, the Company received 250 and 300 from two lenders for a period of three months and one month respectively. The loans bear interest rate of 12.5% per annum. Following negotiations, these loans were renewed in December 2023. The total amount of the loans including accrued interest will be repaid on March 31, 2024. As of December 31, 2023, the total amount of those loans including the accrued interest is 580.

**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:

	<b>Short-term finance</b>
<b>As of January 1, 2023</b>	(503)
<u>Changes from financing cash flows:</u>	
Payment of short-term finance	354
<b>As of December 31, 2023</b>	(149)

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT.):**

	<u>Convertible loan</u>
<b>As of January 1, 2023</b>	(6,499)
<u>Changes from other activities:</u>	
Accrued interest expenses	(313)
Interest paid	313
Change in fair value of convertible loan	198
Exchange rate differences	203
<b>As of December 31, 2023</b>	<u>(6,098)</u>
	<u>Short and long term loans</u>
<b>As of January 1, 2023</b>	(6,593)
<u>Changes from financing cash flows:</u>	
Receipt of long-term loans	(1,474)
Payment of long-term loans	364
Receipt of short-term loans, net	(1,527)
<u>Changes from other activities:</u>	
Accrued interest expenses	(644)
Interest paid	435
Exchange rate differences	11
<b>As of December 31, 2023</b>	<u>(9,428)</u>
	<u>Lease liabilities</u>
<b>As of January 1, 2023</b>	(5,855)
<u>Changes from other activities:</u>	
Additions	(469)
Adjustments	(40)
Exchange rate differences	151
Accretion of interest	(267)
Interest payment	267
<u>Changes from financing cash flows:</u>	
Principal payment	810
<b>As of December 31, 2023</b>	<u>(5,403)</u>

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 12 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT.):**

	<u>Short-term finance</u>
<b>As of January 1, 2022</b>	-
<u>Changes from financing cash flows:</u>	
Receipt of Short-term finance	(503)
<b>As of December 31, 2022</b>	<u>(503)</u>
	<u>Convertible loan</u>
<b>As of January 1, 2022</b>	(6,312)
<u>Changes from other activities:</u>	
Accrued interest expenses	(344)
Interest paid	341
Change in fair value of convertible loan	(925)
Exchange rate differences	741
<b>As of December 31, 2022</b>	<u>(6,499)</u>
	<u>Short and long term loans</u>
<b>As of January 1, 2022</b>	(4,362)
<u>Changes from financing cash flows:</u>	
Receipt of long-term loans	(85)
Payment of long-term loans	107
Receipt of short-term loans, net	(2,552)
<u>Changes from other activities:</u>	
Accrued interest expenses	(355)
Interest paid	182
Exchange rate differences	472
<b>As of December 31, 2022</b>	<u>(6,593)</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT.):**

	<b>Lease liabilities</b>
<b>As of January 1, 2022</b>	(6,706)
<u>Changes from other activities:</u>	
Additions	(569)
Adjustments	(174)
Exchange rate differences	784
Accretion of interest	(288)
Interest payment	288
<u>Changes from financing cash flows:</u>	
Principal payment	810
<b>As of December 31, 2022</b>	(5,855)

**NOTE 13 - CONVERTIBLE LOAN AT FAIR VALUE:**

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 following issuance date. The Notes holders will have the right to convert the Notes into ordinary shares of the Company starting two years following issuance date and until the maturity date. The number of ordinary shares that will be issued to the Notes holders 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 Notes holders 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 is measured at each cut-off date. As of December 31, 2023 and 2022 the convertible loan's fair value is 6,098 and 6,499, respectfully.

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 14 - EQUITY:**

**Composition:**

	<b>Authorized</b>	<b>Issued and outstanding</b>
	<b>Number of shares as of December 31, 2023</b>	
Ordinary shares par value of NIS 0 per share	400,000,000	203,285,749

	<b>Authorized</b>	<b>Issued and outstanding</b>
	<b>Number of shares as of December 31, 2022</b>	
Ordinary shares par value of NIS 0 per share	400,000,000	192,643,883

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.

**Change in number of shares:**

	<b>Date</b>	<b>Number of shares</b>
Opening balance as at January 1, 2022	-	160,000,000
Issuance of ordinary shares	01/2022	5,562,500
Exercise of warrants	07/2022	3,450,000
Exercise of warrants	09/2022	1,050,000
Exercise of RSU's	2022	22,561,383
Exercise of options	03/2022	20,000
<b>Closing balance at December 31, 2022</b>	-	192,643,883
Exercise of RSU's	01/2023	6,212,366
Exercise of warrants	07/2023	4,429,500
<b>Closing balance at December 31, 2023</b>	-	203,285,749

- In January 2022, the Company raised through a Share Placements and a Share Purchase Plan AUD 1,112,500 (approximately 792) by issuing of 5,562,500 fully paid ordinary shares of the Company at an issuance price of AUD 0.2 per share. Total issuance expenses amounted to 38 and were recognized against share premium.
- Upon listing on the ASX, the Company granted 11,563,732 performance rights (the "Performance Rights") to subscribe ordinary shares of the Company to four employees. As of December 31, 2023, all performance rights were converted into ordinary shares of the Company.

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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 19,427,064 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.

During 2022, all options were vested. 20,000 were converted to ordinary shares of the Company and 6,455,688 were expired. As of December 2023, exercisable options are amounted to 12,951,376.

- 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. During 2022, all options were expired.



**SHEKEL BRAINWEIGH LTD.**  
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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, 2023 and 2022 are comprised, as follows:

	<b>Year ended December 31, 2023</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price</b>
Outstanding at beginning of year	27,951,376	\$ 0.180
Expiration	(15,000,000)	\$ 0.223
Exercise	-	-
Outstanding at end of year	12,951,376	\$ 0.136
Exercisable options	12,951,376	\$ 0.136

	<b>Year ended December 31, 2022</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price</b>
Outstanding at beginning of year	38,597,064	\$ 0.196
Expiration	(10,625,688)	\$ 0.202
Exercise	(20,000)	\$ 0.150
Outstanding at end of year	27,951,376	\$ 0.180
Exercisable options	27,951,376	\$ 0.180

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 14 – EQUITY (CONT.):**

**Restricted Stock Units**

1. On August 29, 2023, the Group established additional Restricted Stock Units plan (the "Fourth RSUs Plan"). Under the Fourth RSUs Plan a total of 210,000 RSUs have been granted.

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 in the respective period ending on the respective Milestone date (calculated based on the average closing prices during such period) 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.

2. On March 28, 2023, the Group established additional Restricted Stock Units plan (the "Third RSUs Plan"). Under the Third RSUs Plan a total of 4,000,000 RSUs have been granted. These RSUs will vest and become exercisable in accordance with a vesting schedule subject to the Subsidiary meeting a revenue and EBITDA target.
3. On March 29, 2022, the Group established the second Restricted Stock Units plan (the "Second RSUs Plan"). Under the Second RSUs Plan a total of 1,731,000 RSUs have been granted to employees.
  - As for 861,000 RSUs - vesting period was up to a year from the grant date, according to the following: 50% vested immediately and 50% will vest upon the first anniversary of the grant date, subject to the Subsidiary meeting its 2022 revenue target. These 50% were forfeited on March 29, 2023.
  - As for 870,000 RSUs - 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 RSU shall vest only if the average share price of the Company in the respective period ending on the respective Milestone date (calculated based on the average closing prices during such period) (the "Average PPS") shall be equal to or greater than AU\$ 0.35 (the "Target PPS"), the RSUs designated to vest on the Cliff Milestone, shall vest only if the Average PPS (calculated over the 30 consecutive trading days immediately preceding the Cliff Milestone Date) is equal to or exceeds the Target PPS; (ii) RSUs designated to vest on each of the Quarterly Milestones, shall vest only if the Average (PPS calculated over the 30 consecutive

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 14 – EQUITY (CONT.):**

**Restricted Stock Units (Cont.)**

trading days immediately preceding the respective Quarterly Milestone Date) shall be equal to or greater than the Target PPS. The fair value of the RSUs was estimated by using a Monte-Carlo simulation approach, which was aimed to model the value of the Group'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 management with the assistance of an external valuator based on management's assumptions.

4. All RSUs were granted under section 102 of the Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise.
5. During 2023, nine employees terminate their employment with the Company. Therefore, the RSUs which were granted to those employees were forfeited.

The RSUs to employees outstanding as of December 31, 2023 and 2022 are comprised, as follows:

	<b>Year ended December 31, 2023</b>
	<b>Number of RSUs</b>
Outstanding at beginning of year	9,872,866
Grant	4,210,000
Expiration	(670,000)
Exercise	(6,212,366)
Outstanding at end of year	<u>7,200,500</u>
Exercisable RSUs	<u>7,200,500</u>

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 14 - EQUITY (CONT.):**

**Restricted Stock Units (Cont.)**

	<b>Year ended December 31, 2022</b>
	<b>Number of RSUs</b>
Outstanding at beginning of year	28,703,249
Grant	1,731,000
Expiration	-
Exercise	(20,561,383)
Outstanding at end of year	<u>9,872,866</u>
Exercisable RSUs	<u>9,872,866</u>

**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:

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Loss for the year attributed to owners of the parent	<u>(5,712)</u>	<u>(3,060)</u>
Weighted average number of ordinary shares	<u>198,474,026</u>	<u>181,659,401</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 15 - REVENUES:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Sale of goods	23,618	22,671
Services	3,574	3,684
	<u>27,192</u>	<u>26,355</u>

**Geographical analysis of revenue:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Europe	13,099	8,657
Israel	7,911	9,431
United States	4,514	5,701
Others	1,668	2,566
	<u>27,192</u>	<u>26,355</u>

**NOTE 16 - COST OF REVENUES:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Purchase of scales and raw materials	13,724	12,305
Salary and related expenses	3,325	3,779
Depreciation	621	564
Change in inventories	486	(166)
Intangible asset amortization	469	467
Vehicle maintenance	346	308
Office maintenance	106	112
Others	49	23
	<u>19,126</u>	<u>17,392</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17 - RESEARCH AND DEVELOPMENT EXPENSES:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
	<u>                    </u>	<u>                    </u>
Salary and related expenses	2,822	3,016
Impairment of intangible assets	362	184
Depreciation	243	227
Office maintenance	177	43
Materials, subcontractors and related expenses	146	191
Vehicle maintenance	54	26
Share based payment	7	279
	<u>                    </u>	<u>                    </u>
	<u>3,811</u>	<u>3,966</u>

**NOTE 18 - SELLING AND MARKETING EXPENSES:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
	<u>                    </u>	<u>                    </u>
Salary and related expenses	2,095	2,295
Exhibitions, materials and promotions	772	751
Vehicles maintenance	200	252
Transportation and deliveries	191	153
Travel abroad	177	155
Depreciation	164	140
Office maintenance	35	57
Others	10	-
	<u>                    </u>	<u>                    </u>
	<u>3,644</u>	<u>3,803</u>

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**NOTE 19 - GENERAL AND ADMINISTRATIVE EXPENSES:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
	<u>                    </u>	<u>                    </u>
Salary and related expenses	2,369	2,188
Professional fees	1,394	1,571
Office maintenance	321	340
Management fees	254	279
Directors' fees	206	223
Depreciation	202	268
Vehicles maintenance	94	64
Share based payment	46	385
Travel abroad	41	45
VAT	(40)	191
Others	32	7
	<u>4,919</u>	<u>5,561</u>

**NOTE 20 - OTHER INCOME:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
	<u>                    </u>	<u>                    </u>
Capital gain from sale of Healthweigh products line	-	(2,183)
Capital gain from sale of property, plant and equipment, net	(3)	(19)
	<u>(3)</u>	<u>(2,202)</u>

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 21 - FINANCIAL INCOME:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
	<u>                    </u>	<u>                    </u>
Convertible loan's change in fair value	(198)	-
Exchange rate differences, net	(67)	(1,705)
Dividend benefit to owners	(26)	(22)
Change in fair value of warrants	-	(29)
	<u>(291)</u>	<u>(1,756)</u>

**NOTE 22 - FINANCIAL EXPENSE:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
	<u>                    </u>	<u>                    </u>
Bank fees and interests	469	300
Linkage and interest	378	161
Convertible loan's interest	313	344
Leases	267	288
Change in fair value of warrants	28	-
Convertible loan's change in fair value	-	925
	<u>1,455</u>	<u>2,018</u>

**NOTE 23 - 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.



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**NOTE 23 – LEASES (CONT.):**

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

	<u>Office facilities</u>	<u>Vehicles</u>	<u>Total</u>
<b>At January 1, 2023</b>	5,266	866	6,132
Additions	-	486	486
Lease modification	95	(35)	60
Depreciation expense	(448)	(537)	(985)
<b>As at December 31, 2023</b>	<u>4,913</u>	<u>780</u>	<u>5,693</u>

Set out below are the carrying amounts of right-of-use assets recognized and the movements during 2022:

	<u>Office facilities</u>	<u>Vehicles</u>	<u>Total</u>
<b>At January 1, 2022</b>	5,420	873	6,293
Additions	-	588	588
Lease modification	277	(103)	174
Depreciation expense	(431)	(492)	(923)
<b>As at December 31, 2022</b>	<u>5,266</u>	<u>866</u>	<u>6,132</u>

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

	<u>2023</u>
<b>At January 1, 2023</b>	5,855
Additions	469
Lease modification	40
Accretion of interest	267
Exchange rate differences	(151)
Interest payment	(267)
Principal payment	(810)
<b>As at December 31, 2023</b>	<u>5,403</u>

The following are the amounts recognized in profit or loss:

	<u>2023</u>
Depreciation expense of right-of-use assets	985
Exchange rate differences	(151)
Interest expense on lease liabilities	267
<b>Total amount recognized in profit or loss</b>	<u>1,101</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 23 – LEASES (CONT.):**

Set out below are the carrying amounts of lease liabilities and the movements during 2022:

	2022
<b>At January 1, 2022</b>	6,706
Additions	569
Lease modification	174
Accretion of interest	288
Exchange rate differences	(784)
Interest payment	(288)
Principal payment	(810)
<b>As at December 31, 2022</b>	<b>5,855</b>

The following are the amounts recognized in profit or loss:

	2022
Depreciation expense of right-of-use assets	923
Exchange rate differences	(784)
Interest expense on lease liabilities	288
<b>Total amount recognized in profit or loss</b>	<b>427</b>

The Group had total cash outflows for leases of 1,094 and 1,117 in 2023 and 2022, respectively. The Group also had non-cash additions to right-of-use assets of 469 and 569 in 2023 and 2022, respectively.

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 24 - TAXES ON INCOME:**

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

Israeli corporate tax rates are 23% in 2023 and 2022.

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 2023 and 2022. The tax rates that applied to the Israeli Company's taxable income which do not derived from its manufacturing activities are 23% in 2023 and 2022, 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.

**4. Composition of tax expenses charged to profit or loss:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Current tax expenses	114	279
	<u>114</u>	<u>279</u>

**5. Tax reconciliation:**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Loss before taxation	(5,461)	(2,666)
Theoretical tax credit at applicable statutory 2023 & 2022: 23%	(1,256)	(613)
Effect of preferred enterprise tax rate in Israel (less non - manufacturing activities) and tax rates of subsidiaries	465	171
Deferred tax asset which was not recognized or reversed	639	237
Non-allowable expenses	163	536
Miscellaneous	103	(52)
Tax on income	<u>114</u>	<u>279</u>

**SHEKEL BRAINWEIGH LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 24 - TAXES ON INCOME (CONT.):**

**6. Net losses carry forwards:**

As of December 31, 2023, and 2022, the Group has estimated carry forward tax losses of approximately 15,912 and 12,600, 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.

**NOTE 25 - OPERATING SEGMENTS:**

The Group has three main divisions: Retail, HealthCare and Industry.

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, 2023:

	<u>Retail</u>	<u>HealthCare</u>	<u>Industry</u>	<u>Total</u>
Segment revenue	13,656	9,193	4,343	27,192
Segment operating loss	(4,037)	(195)	(65)	(4,297)
Financial expense, net				1,164
Loss before tax				(5,461)

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 25 - OPERATING SEGMENTS (CONT.):**

For the year ended December 31, 2022:

	<u>Retail</u>	<u>HealthCare</u>	<u>Industry</u>	<u>Total</u>
Segment revenue	11,055	10,154	5,146	26,355
Segment operating profit (loss)	(5,112)	2,650	58	(2,404)
Financial expense, net				262
Loss before tax				(2,666)

**NOTE 26 - COMITMENTS AND CONTINGENT LIABILITIES:**

**Liability for royalties payable**

The Group is committed to pay royalties to the Israeli government on proceeds from sales of products in China. Under the terms of the Israeli government funding program, the Group will pay royalties of 3% of the increase in sales for a period of 7 years starting from the year 2016 which is the year the Group has started to sale the products in China. As of December 31, 2023 and 2022, the liability for royalties payable is 4 and 4 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 27 - RELATED PARTIES AND SHAREHOLDERS:**

**The following transactions arose with related parties:**

<b>Transaction - expenses (income)</b>	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Salary expenses – Kibbutz Beit Keshet members (shareholder)	26	34
Previous year expenses to Kibbutz Beit Keshet (shareholder) *	423	-
Wages for directors	206	223
Management fees	254	279
Consulting expenses	21	135
Interest income from shareholders	(26)	(22)

\* During 2023 the company signed a settlement agreement with Kibbutz Beit Keshet regarding office lease for previous years.

**Receivables from related parties**

<b>Name</b>	<b>Nature of transaction</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Related parties (presented under loan to related parties)	Loans to shareholders	160	157
Related parties (presented under other accounts receivables)	Ongoing transactions	36	40

**Liabilities to related party**

<b>Name</b>	<b>Nature of transaction</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Related parties (presented under trade accounts payable)	Previous year expenses	(236)	-
Related parties (presented under trade accounts payable)	Ongoing transactions	(28)	(47)

**Benefits to key management personnel**

<b>Nature of transaction</b>	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Salary and related expenses	2,736	2,623
Share based payment	60	415
	<u>2,796</u>	<u>3,038</u>

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**NOTE 28 - 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, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalents	1,724	1,892
Trade accounts receivable	7,607	8,186
Other accounts receivable	52	1,031
Loans to related party	160	157
Total	<u>9,543</u>	<u>11,266</u>

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**NOTE 28 - 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:

	<b>December 31, 2023</b>				
	<b>NIS</b>	<b>AUD</b>	<b>EURO</b>	<b>CNY</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash and cash equivalents	296	5	669	154	1,124
Trade accounts receivable	1,906	-	981	-	2,887
Other accounts receivable	36	-	-	13	49
Loans to related party	160	-	-	-	160
	<b>2,398</b>	<b>5</b>	<b>1,650</b>	<b>167</b>	<b>4,220</b>
<b>Liabilities</b>					
	<b>NIS</b>	<b>AUD</b>	<b>EURO</b>	<b>CNY</b>	<b>TOTAL</b>
Short term loans	2,637	-	179	-	2,816
Trade accounts payable	1,800	34	674	217	2,725
Other accounts payable	928	77	5	-	1,010
Convertible loan	5,021	-	-	-	5,021
Long term loans	-	-	210	-	210
Lease liabilities	4,860	-	-	-	4,860
	<b>15,246</b>	<b>111</b>	<b>1,068</b>	<b>217</b>	<b>16,642</b>
<b>Net</b>	<b>(12,848)</b>	<b>(106)</b>	<b>582</b>	<b>(50)</b>	<b>(12,422)</b>



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**NOTE 28 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**

**Currency risk (cont.):**

<b>Assets</b>	<b>December 31, 2022</b>				
	<b>NIS</b>	<b>AUD</b>	<b>EURO</b>	<b>CNY</b>	<b>TOTAL</b>
Cash and cash equivalents	285	17	558	4	864
Trade accounts receivable	3,066	-	726	-	3,792
Other accounts receivable	28	-	-	13	41
Loans to related party	157	-	-	-	157
	<b>3,536</b>	<b>17</b>	<b>1,284</b>	<b>17</b>	<b>4,854</b>
<b>Liabilities</b>	<b>NIS</b>	<b>AUD</b>	<b>EURO</b>	<b>CNY</b>	<b>TOTAL</b>
Short term loans	3,427	-	155	-	3,582
Trade accounts payable	1,347	39	315	136	1,837
Other accounts payable	1,930	97	2	81	2,110
Convertible loan	5,021	-	-	-	5,021
Long term loans	-	-	292	-	292
Lease liabilities	4,970	-	-	82	5,052
	<b>16,695</b>	<b>136</b>	<b>764</b>	<b>299</b>	<b>17,894</b>
<b>Net</b>	<b>(13,159)</b>	<b>(119)</b>	<b>520</b>	<b>(282)</b>	<b>(13,040)</b>

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 28 - 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.

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
NIS	1,285	1,316
AUD	11	12
EURO	(58)	(52)
CNY	5	28

**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 28 - 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.

	<b>Up to 3</b>	<b>Between</b>	<b>Between</b>	<b>Between</b>	<b>Over</b>	<b>Total</b>
<b>At December 31, 2023</b>	<b>Months</b>	<b>3 and 12</b>	<b>1 and 2</b>	<b>2 and 5</b>	<b>5 years</b>	
		<b>months</b>	<b>year</b>	<b>years</b>		
Short term loans	2,183	8,285	-	-	-	10,468
Trade accounts payable	3,713	-	-	-	-	3,713
Other accounts payable	944	585	-	-	-	1,529
Lease liabilities	-	-	596	1,066	6,133	7,795
Convertible loan at fair value	-	-	4,563	-	-	4,563
Long term loans	-	-	151	72	-	223
Liability for royalties payable	-	4	-	-	-	4
<b>Total</b>	<b>6,840</b>	<b>8,874</b>	<b>5,310</b>	<b>1,138</b>	<b>6,133</b>	<b>28,295</b>

	<b>Up to 3</b>	<b>Between</b>	<b>Between</b>	<b>Between</b>	<b>Over</b>	<b>Total</b>
<b>At December 31, 2022</b>	<b>Months</b>	<b>3 and 12</b>	<b>1 and 2</b>	<b>2 and 5</b>	<b>5 years</b>	
		<b>months</b>	<b>year</b>	<b>years</b>		
Short term loans	6,237	214	-	-	-	6,451
Trade accounts payable	2,294	-	-	-	-	2,294
Other accounts payable	2,628	1,290	-	-	-	3,918
Lease liabilities	-	-	702	1,073	6,421	8,196
Convertible loan at fair value	-	-	-	4,703	-	4,703
Long term loans	-	-	123	169	-	292
Liability for royalties payable	-	-	4	-	-	4
<b>Total</b>	<b>11,159</b>	<b>1,504</b>	<b>829</b>	<b>5,945</b>	<b>6,421</b>	<b>25,858</b>

**SHEKEL BRAINWEIGH LTD.**  
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**NOTE 28 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**

**Fair value of financial liabilities**

Items carried at fair value as of December 31, 2023 are classified in the table below:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
As of December 31, 2023				
Warrants	-	116	-	116
Convertible loan	-	6,098	-	6,098
	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
Convertible loan	-	6,499	-	6,499

**NOTE 29 - SUBSIDIARIES:**

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

Entity name	Country of incorporation	Proportion of ownership interest at December 31,		Held by
		2023	2022	
Shekel Scales (2008) Ltd.	Israel	100%	100%	Shekel Brainweigh Ltd.
Shekel EU S.A	Luxemburg	100%	100%	Shekel Scales (2008) Ltd.
Shekel (Ningbo) Scales Ltd.	China	100%	100%	Shekel Scales (2008) Ltd.
Abilanx	France	60%	60%	Shekel EU S.A

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**NOTE 30 - SUBSEQUENT EVENTS:**

1. In January 2024, the Company received 199 from a lender. According to the terms of the loan, it will be repaid after three months from the funding date. The loan bears an interest rate of 12.5% per annum.
2. In January 2024, the Company received 200 from a lender. Unless repaid earlier as provided herein below, the Loan is due and payable in cash on the 146th day after Closing. The loan bears an interest rate of 12.5% per annum. As part of this loan agreement, the lender was given an option to purchase the Company's ordinary shares (1 shares for every USD 1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date.
3. In January 2024, the Company renewed a part of the loans mentioned in note 11.3 (2,053) with six lenders. The total amount of the loans including accrued interest will be due and payable in cash on July 15, 2024. The loan bears an interest rate of 12.5% per annum. As part of this loan agreement, the lenders were given an option to purchase 2,637,362 of the Company's ordinary shares no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date.
4. In January 2024, the Company renewed the remaining part of the loans mentioned in note 11.3 (900) and additional part of the loans mentioned in note 11.4 (800) with one lender. The total amount of the loans including accrued interest amounted to 1,809 and will be due and payable in cash on December 31, 2024. As part of this loan agreement, the lender was given an option to purchase 2,537,808 of the Company's ordinary shares no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date.
5. In March 2024, the Company received 1,420 from two lenders. Unless repaid earlier as provided herein below, the Loan is due and payable in cash on July 15, 2024. The loan bears an interest rate of 12.5% per annum. As part of this loan agreement, the lenders were given an option to purchase 1,153,151 of the Company's ordinary shares no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date.

## ASX ADDITIONAL INFORMATION

The Shareholder Information set out below was applicable as at 20 March 2024.

### 1. DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding.

Range	No. of holders of Ordinary Shares	Number of Ordinary Shares	% of Issued Share Capital	No. of Holders of Options, Ex Price \$0.20, Expiry 11/3/2028	Number of Options Ex Price \$0.20, Expiry 11/3/2028	% of Issued Share Capital
1 - 1,000	33	5,372	0.00	-	-	-
1,001 - 5,000	95	303,250	0.14	-	-	-
5,001 - 10,000	128	959,080	0.46	-	-	-
10,001 - 100,000	245	8,880,118	4.21	-	-	-
100,001 Over	76	200,637,929	95.19	2	12,951,376	100.00
<b>Total</b>	<b>577</b>	<b>210,785,749</b>	<b>100.00</b>	<b>2</b>	<b>12,951,376</b>	<b>100.00</b>
Holding less than a marketable parcel	202	769,541	-	-	-	-

Range	No. of Holders of Restricted Share Units	Restricted Share Units	% of Issued Share Capital	No. of Holders of Unlisted Convertible Notes	Convertible Notes	% of Issued Share Capital
1 - 1,000	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-
5,001 - 10,000	-	-	-	-	-	-
10,001 - 100,000	25	1,570,000	21.80	-	-	-
100,001 Over	9	5,630,500	78.20	1	5,000,000	100.00
<b>Total</b>	<b>34</b>	<b>7,200,500</b>	<b>100.00</b>	<b>1</b>	<b>5,000,000</b>	<b>100.00</b>

## 2. EQUITY SECURITY HOLDERS

The names of the twenty largest quoted security holders as at 20 March 2024 are listed below:

Security Holder	Ordinary Shares	
	Number held	% of total shares issued
AXCEL PARTNERS VI LLC	53,137,477	25.21
CONSEPTA (2006) LTD	28,288,728	13.42
AGRICULTURAL COOPERATIVE SOCIETY LTD	23,060,009	10.94
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,660,584	4.58
MR WILLIAM SHOLK	9,336,335	4.43
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	8,324,480	3.95
YEHUDA NEUBERGER	4,646,482	2.20
IBI TRUST MANAGEMENT <ELIRAN VAKNIN A/C>	3,905,339	1.85
IBI TRUST MANAGEMENT <GUY MOSHE A/C>	3,905,339	1.85
TRISIB CAPITAL PARTNERS LLC	3,500,000	1.66
MTCP II LLC	3,300,000	1.57
S.O.Z.N. HOLDINGS AND MANAGEMENT LIMITED	3,200,000	1.52
IBI TRUST MANAGEMENT <UDI WIESNER A/C>	3,063,500	1.45
IBI TRUST MANAGEMENT <BARAK NIR A/C>	2,890,933	1.37
IBI TRUST MANAGEMENT <DAVID BEN ELIYAHU A/C>	2,890,933	1.37
IBI TRUST MANAGEMENT <SHLOMO TALITMAN A/C>	2,890,933	1.37
IBI TRUST MANAGEMENT <YORAM BEN PORAT A/C>	2,890,933	1.37
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	2,854,558	1.35
JOHN C DAVISON <WEINBERG FAMILY MULTI-GEN AC>	2,750,000	1.30
IBI TRUST MANAGEMENT <EVYATAR YADAI A/C>	2,089,808	0.99
<b>Total</b>	<b>176,586,371</b>	<b>83.78</b>

Unquoted Equity Securities as at 20 March 2024:

	Number on Issue	Number of Holders
Restricted Share Units	7,200,500	34
Options, Exercise Price \$0.20, Expiring 11 March 2028	12,951,376	2
Convertible Notes Maturing 14 May 2025	5,000,000	1
Performance Rights	Nil	Nil

Holders of 20% or more of unquoted equity securities as at 20 March 2024:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
GUY MOSHE	Options Exercise price \$0.20, Expiry 11/03/2028	6,475,688
ELIRAN VAKNIN	Options Exercise price \$0.20, Expiry 11/03/2028	6,475,688
YAVNEH GROUP & HAPOEL MIZRAHI GROUP <COOPERATIVE SETTLEMENT A/C>	Unlisted Convertible Notes	5,000,000
IBI TRUST MANAGEMENT <NIR LESHEM>	Restricted Share Units	4,000,000

### **3. VOTING RIGHTS**

Voting Rights are as set out below:

Ordinary Shares	All Ordinary Shares carry one vote per share without restriction
Restricted Share Units	Do not carry any voting rights
Options, Exercise Price \$0.20, Expiring 11 March 2028	Do not carry any voting rights
Convertible Notes Maturing 14 May 2025	Do not carry any voting rights
Performance Rights	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 Rules 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2023 in a way that is consistent with its business objectives and strategy.