

SHEKEL BRAINWEIGH LTD.

Appendix 4D

Half-year report for the period ended June 30, 2020.

1. Entity details

Name of entity:	SHEKEL BRAINWEIGH LTD. ("the consolidated entity")
ARBN:	625 669 445
Reporting period:	For the half-year ended June 30, 2020.
Previous period:	For the half-year ended June 30, 2019.

2. Results for announcement to the market

All comparisons to Previous period.

Key information	Up/Down	Change	US Dollar in thousands
Revenues from ordinary activities	Down	5.45% to	7,941
Loss from ordinary activities after tax attributable to the owners of the consolidated entity	Down	20.72% to	(2,517)
Loss for the half-year attributable to the owners of the consolidated entity	Down	20.72% to	(2,517)

Dividends:

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

The Loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,517,000 (For the Previous period: \$2,085,000).

The consolidated entity operates under two distinct business segments, the well-established, profitable, core business Shekel Scales and the newly created and separate Retail Innovation Division, which is in a stage of final development of its new products and the reporting period was first time it had generated revenues.

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

- \$458,000 Decline in revenue due to a decrease in orders for the company's Healthweigh product line, following a reduction in the distribution activity in the world due to the corona crisis.
- \$437,000 Increase in COGS was due to the fact that the company started to depreciate the intangible asset, which added \$230,000 to the COGS, in addition to an erosion in profitability following the decrease in sales without a reduction in fixed costs.
- A change in classification of management expenses to marketing and sales expenses in the subsidiary in France resulted in an increase of \$166,000 in the marketing and sales expenses, while separating the marketing and sales team in the traditional activity (Shekel Scales) and recruiting a separate marketing and sales manager for the retail sector from the medical sector, resulted in an increase of \$60,000.

SHEKEL BRAINWEIGH LTD.

Appendix 4D

Half-year report for the period ended June 30, 2020.

3. Net tangible assets

	30 June, 2020 USD	30 June, 2019 USD
Net tangible assets per ordinary security	<u>0.026</u>	<u>0.057</u>

4. Audit qualification or review

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

5. Attachments

The Interim Report of the consolidated entity for the half-year ended June 30, 2020 is attached.

6. Signed

Signed _____



Barak Nir
CFO
Tel-Aviv

Date: August 30, 2020

SHEKEL BRAINWEIGH LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2020

UNAUDITED

SHEKEL BRAINWEIGH LTD.

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Shekel Brainweigh Ltd. (the "Company") as of June 30, 2020 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020, and of its financial performance and its consolidated cash flows for the six-month period then ended in accordance International Accounting Standard IAS 34.

Emphasis of matter

We draw attention to Note 3B. The Company did not comply with certain loan covenants as at June 30, 2020, however the Company received a waiver from the bank for the repayment until February 2021 (the original due date). The Company plans to raise equity or refinance the loan in order to fulfill this liability. Our review conclusion is not modified in respect of this matter.

Lior Shahar

Tel-Aviv, Israel

August 30, 2020

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

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SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	<u>Unaudited</u>	
ASSETS		
Current Assets:		
Cash and cash equivalents	2,298	2,574
Trade accounts receivable, net	4,339	5,833
Other accounts receivable	1,462	1,299
Inventories	<u>3,619</u>	<u>3,465</u>
	<u>11,718</u>	<u>13,171</u>
Non-Current Assets:		
Right of use asset, net	2,216	2,426
Property, plant and equipment, net	638	572
Intangible assets, net	3,008	3,242
Loans to related parties	<u>144</u>	<u>* 233</u>
	<u>6,006</u>	<u>6,473</u>
Total Assets	<u><u>17,724</u></u>	<u><u>19,644</u></u>

* Reclassified

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

SIFBUU DRAINWEIGH LTD.
UNAUDITED CONDENSED MONTHLY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>Unaudited</u>	
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	4,490	4,629
Trade accounts payable	1,970	1,102
Other accounts payable	<u>2,266</u>	<u>2,571</u>
	<u>8,726</u>	<u>8,302</u>
Non-Current Liabilities:		
Lease liabilities	1,597	1,605
Employee benefits	252	267
Liability for receivables payable	<u>19</u>	<u>21</u>
	<u>1,868</u>	<u>1,893</u>
Equity:		
Equity attributable to owners of the parent:		
Share capital and premium	7,739	7,739
Foreign exchange reserve	0	2
Share based payment reserve	1,585	1,414
Reserve losses	<u>(3,094)</u>	<u>(1,021)</u>
	<u>6,230</u>	<u>8,134</u>
Non-controlling interest	621	69
Total Equity	<u>6,851</u>	<u>8,203</u>
Total Liabilities and Equity	<u>15,577</u>	<u>16,505</u>


 William Chen, President
 SIFBUU DRAINWEIGH LTD.


 J. Chen, CFO
 SIFBUU DRAINWEIGH LTD.

August 10, 2020
 Date of preparation of financial statements

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(US Dollar in thousands, except for basic and diluted loss per share)

	Six-month period ended June 30,	
	Unaudited	
	2020	2019
Revenue	7,941	8,399
Cost of revenue	5,016	4,579
Gross profit	2,925	3,820
Research and development expenses	1,803	2,424
Selling and marketing expenses	1,164	869
General and administrative expenses	2,175	2,179
Impairment of financial assets	89	-
Operating loss	(2,306)	(1,652)
Financial income	46	59
Financial expense	242	674
Loss before tax	(2,502)	(2,267)
Tax on income	-	(199)
Loss for the period	(2,502)	(2,068)
 Other comprehensive loss, net of tax:		
Items that will or may be reclassified to profit or loss:		
Exchange rate differentials pursuant to translation of foreign activities	(2)	(1)
Total comprehensive loss for the period	(2,504)	(2,069)
 Income (loss) for the period attributed to:		
Owners of the parent	(2,517)	(2,085)
Non - controlling interest	15	17
	(2,502)	(2,068)
 Total comprehensive income (loss) for the period attributed to:		
Owners of the parent	(2,519)	(2,085)
Non - controlling interest	15	16
	(2,504)	(2,069)
 Basic and diluted loss per share	 <u>\$ (0.02)</u>	 <u>\$ (0.02)</u>

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(US Dollar in thousands)

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

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

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

SHEKEL BRAINWEIGH LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(US Dollar in thousands)

For the six-month period ended June 30, 2019:

	Equity attributable to owners of the parent				Total	Non- controlling interest	Total equity
	Share capital	Foreign exchange reserve	Share based payment reserve	Retained losses			
Balance at January 1, 2019	<u>7,739</u>	<u>8</u>	<u>1,265</u>	<u>2,899</u>	<u>11,911</u>	<u>340</u>	<u>12,251</u>
Changes during the period:							
Profit (loss) for the period	-	-	-	(2,085)	(2,085)	17	(2,068)
Other comprehensive loss	-	-	-	-	-	(1)	(1)
Total comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,085)</u>	<u>(2,085)</u>	<u>16</u>	<u>(2,069)</u>
Share based payment	-	-	355	-	355	-	355
Interest received from loans to related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Balance at June 30, 2019	<u><u>7,739</u></u>	<u><u>8</u></u>	<u><u>1,620</u></u>	<u><u>802</u></u>	<u><u>10,169</u></u>	<u><u>356</u></u>	<u><u>10,525</u></u>

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

SHEKEL BRAINWEIGH LTD.

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

	Six-month period ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(2,502)	(2,068)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	793	472
Decrease in trade accounts receivable, net	1,494	581
Increase in other accounts receivable	(163)	(231)
Increase in inventories	(154)	(466)
Increase (decrease) in trade accounts payable	505	(50)
Decrease in other accounts payable	(245)	(54)
Increase in employee benefit	35	11
Share based compensation	151	355
Increase (decrease) in royalties payable	(6)	5
Finance income charged to equity	(12)	(12)
Impairment of financial asset	89	-
Finance expense (income), net	(81)	384
Taxes on income	-	(102)
Net cash used in operating activities	(96)	(1,175)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposit receipt	-	18
Purchase of property, plant and equipment	(183)	(44)
Capitalized development costs	-	(16)
Net cash used in investing activities	(183)	(42)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal paid on lease liabilities	(436)	(432)
Receipt (payment) of short-term loans, net	437	(2)
Net cash provided by (used in) financing activities	1	(434)
Net decrease in cash and cash equivalents	(278)	(1,651)
Cash and cash equivalents at the beginning of the period	2,574	6,252
Effects of exchange rate changes on cash and cash equivalents	2	(1)
Cash and cash equivalents at the end of the period	2,298	4,600

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

APPENDIX A: NON-CASH ACTIVITIES

	Six-month period ended June 30,	
	2020	2019
Recognition of right of use asset and lease liabilities	232	419

APPENDIX B: AMOUNT PAID DURING THE PERIOD:

	Six-month period ended June 30,	
	2020	2019
Income tax paid	26	106
Interest paid	84	78

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 1 - GENERAL:

- Shekel Brainweigh Ltd. (hereinafter, the "Company") was incorporated in March, 2018 in Israel. The Company and its subsidiaries (together, the "Group") is one of the global leaders of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.
- In August 2018, Shekel Scales (2008) Ltd., the Company's subsidiary (the "Subsidiary"), entered into a share exchange agreement (the "Share Exchange Agreement") with the Company and its shareholders. According to the Share Exchange Agreement, prior to the Company's listing on the Australian Securities Exchange ("ASX"), the Company acquired 100% of the issued shares of the Subsidiary and the shareholders of the Subsidiary received shares of the Company in consideration. The Company was admitted to the official list of the ASX on November 16, 2018, with its ordinary fully paid shares having commenced trading on November 20, 2018.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual financial statements.

Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in future financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 5 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD:

A. EFFECTS OF COVID-19

The significant events and transactions that have occurred since December 31, 2019, relate to the effects of the global pandemic on the Group, interim consolidated financial statements for the six months ended June 30, 2020 and are summarized as follows:

The world is currently experiencing an event with actual or potential macroeconomic consequences, originating from the spread of the Corona virus (COVID-19) that has globally disrupted the financial system (Levy). Following the health emergency, including travel, are taking significant steps to contain the spread of the Corona virus, such as restrictions on civilian movement, gatherings, mass restrictions on passengers and goods, mass closing borders between countries etc. As a result, the event and the related actions of various countries have or may have significant implications on many economic as well as capital markets worldwide.

Revenues from the sales of medical products to distributors was avoided as a result due to the fact that circulation around the world almost completely stopped, as the necessary medical products medical facilities they focused only on purchasing medical products related to the global epidemic.

Reserves of COVID-19 were reported during 2020:

21% of employees were on full sick leave in 5-12 weeks.

Due to numerous sick leave holders employed by the company have been able to pay out 70-90% 20 days.

Major firms staying under the production line, remaining 6-10 weeks have cut working time and salaries to 80% during the period before stay.

The overall demand for certain products as a consequence of social distancing requirements and recommendations.

Significant uncertainty concerning when government-imposed lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

Due to the fact that this event is still ongoing, the management is currently unable to estimate whether there will be significant negative impacts on the Company's activities.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (CONT.):

B. Covenant violations

The Company is required to comply with certain loan covenants in respect of minimum debt service coverage ratios, which are tested quarterly based on a ratio of: (i) earnings before interest, taxes, depreciation and amortization; and (ii) total liabilities. The Company did not comply with these covenants as at June 30, 2020, and therefore, loans and borrowings became due on demand at the decision of the lenders. During June 2020, the Company received a waiver from the lenders. According to the waiver, the lenders will not apply the sanctions for the covenant violations subject to the Company will meet its covenants in its annual financial statements as of December 31, 2020 onwards. In the event that the Company will be required to repay its loans to banks in February 2021 or sooner, the Company may be required to raise equity or refinance the loans. The lenders are regularly informed by the Company on its finance situation and aware to the fact that the Company is intensively dealing with raising money.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 4 – SEGMENT INFORMATION:

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

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

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

For the six months ended June 30, 2019 (Unaudited)

	Traditional Segment	New Technologies Segment	Total
Segment revenue	8,399	-	8,399
Segment operating profit (loss)	473	(2,125)	(1,652)
Financial expenses, net			(615)
Loss before tax			(2,267)