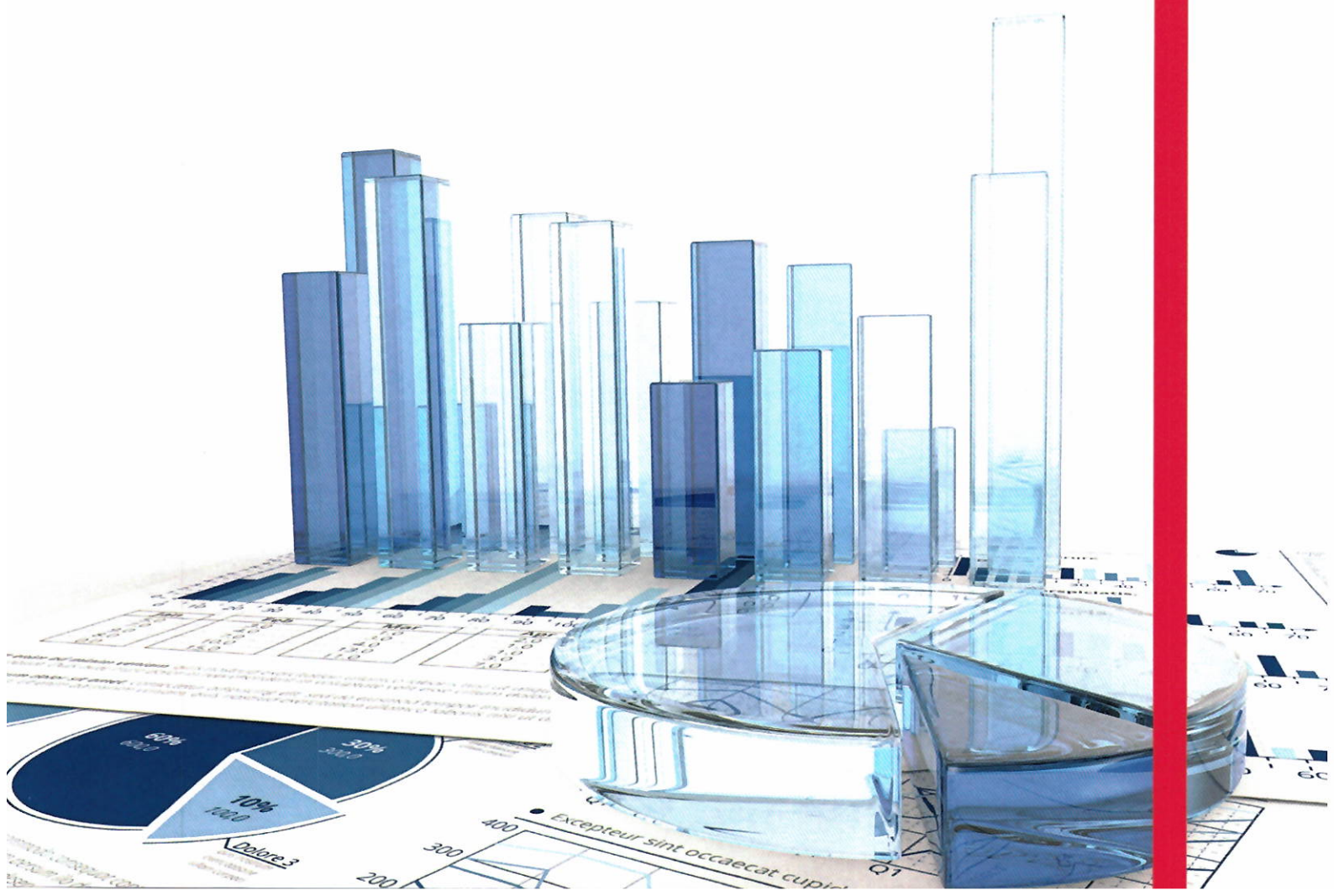


SHEKEL BRAINWEIGH LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024



SHEKEL BRAINWEIGH LTD.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2024

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



Independent Auditors' Statements to Shareholders of Shekel Brainweigh Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shekel Brainweigh Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2024, the related statements of comprehensive income, changes in shareholders equity (deficit) and cash flows for the year ended December 31, 2024, 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, 2024, its financial performance, changes in equity (deficit) and its cash flows for the year ended December 31, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

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

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<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, 2024, the convertible loan's fair value is USD 6,705 thousand and the Company recognized an increase of USD 662 thousand from changes in the convertible loan's fair value as finance expense 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"> • 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. • We evaluated the fair value calculation and performed a shadow calculation for the fair value. • We tested the reasonability of the assumptions used and the methodology of the calculation. • We verified the base data of the calculations with reference, if necessary, to external data. • We considered the adequacy of the Company's disclosures related to the convertible loan.

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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.

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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.

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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 25, 2025

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

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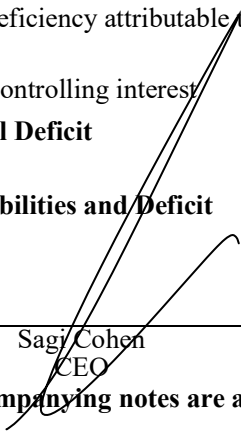
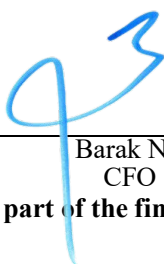
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SHEKEL BRAINWEIGH LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>Note</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
ASSETS			
Current Assets:			
Cash and cash equivalents		1,492	1,724
Trade accounts receivable, net	4	8,451	7,607
Other accounts receivable	5	635	882
Inventories	6	4,462	4,628
Loan to related party	9	44	160
		<u>15,084</u>	<u>15,001</u>
Non-Current Assets:			
Right of use assets, net	22	6,304	5,693
Property, plant and equipment, net	7	1,034	980
Intangible assets, net	8	102	569
		<u>7,440</u>	<u>7,242</u>
Total Assets		<u><u>22,524</u></u>	<u><u>22,243</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)

	<u>Note</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
LIABILITIES AND DEFICIT			
Current Liabilities:			
Short term loans and current portion of long-term loans	11	12,414	9,218
Trade accounts payable		3,465	3,713
Other accounts payable	10,22	3,293	2,996
Convertible loan at fair value	13	6,705	6,098
Warrants	11	-	116
		<u>25,877</u>	<u>22,141</u>
Non-Current Liabilities:			
Lease liabilities	22	5,510	4,860
Long term loans	11	710	210
Other payables		-	26
		<u>6,220</u>	<u>5,096</u>
Deficit:	14		
Equity (Deficiency) attributable to owners of the parent:			
Share capital and premium		14,592	13,652
Foreign exchange reserve		(121)	(89)
Share based payment reserve		1,409	1,361
Retained losses		(26,139)	(20,625)
Total deficiency attributable to owners of the parent		<u>(10,259)</u>	<u>(5,701)</u>
Non - controlling interest		686	707
Total Deficit		<u>(9,573)</u>	<u>(4,994)</u>
Total Liabilities and Deficit		<u>22,524</u>	<u>22,243</u>
<div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 20px;"> <div style="text-align: center;">  Sagi Cohen CEO </div> <div style="text-align: center;">  Barak Nir CFO </div> <div style="text-align: center;"> March 25, 2025 Date of approval of financial statements </div> </div>			
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, 2024	Year ended December 31, 2023
Revenues	15	26,777	27,192
Cost of revenues	16	17,472	19,126
Gross profit		9,305	8,066
Research and development expenses	17	3,477	3,811
Selling and marketing expenses	18	4,290	3,644
General and administrative expenses	19	3,671	4,919
Other income		-	(3)
Expected credit loss (benefit)	9	113	(8)
Operating loss		(2,246)	(4,297)
Financial income	20	128	291
Financial expense	21	3,268	1,455
Loss before tax		(5,386)	(5,461)
Tax on income	23	39	114
Loss for the year		(5,425)	(5,575)
Other comprehensive loss, net of tax:			
Items that will or may be reclassified to profit or loss:			
Exchange rate income (losses) arising on translation of foreign operations		(72)	38
Total comprehensive loss for the year		(5,497)	(5,537)
Profit (loss) for the year attributed to:			
Owners of the parent		(5,469)	(5,712)
Non - controlling interest		44	137
		(5,425)	(5,575)
Total comprehensive income (loss) for the year attributed to:			
Owners of the parent		(5,501)	(5,696)
Non - controlling interest		4	159
		(5,497)	(5,537)
Basic and diluted loss per share	14	\$(0.03)	\$(0.03)

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)

	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		
Balance at January 1, 2023	<u>13,163</u>	<u>(105)</u>	<u>1,527</u>	<u>(14,887)</u>	<u>(302)</u>	<u>586</u>	<u>284</u>
Changes during 2023:							
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)
Balance at December 31, 2023	<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>
Changes during 2024:							
Profit (loss) for the year	-	-	-	(5,469)	(5,469)	44	(5,425)
Other comprehensive loss	-	(32)	-	-	(32)	(40)	(72)
Total comprehensive income (loss)	-	(32)	-	(5,469)	(5,501)	4	(5,497)
Share based payment	-	-	48	-	48	-	48
Dividend to non-controlling interest	-	-	-	-	-	(25)	(25)
Exercise of warrants	940	-	-	-	940	-	940
Benefit to owners	-	-	-	(45)	(45)	-	(45)
Balance at December 31, 2024	<u>14,592</u>	<u>(121)</u>	<u>1,409</u>	<u>(26,139)</u>	<u>(10,259)</u>	<u>686</u>	<u>(9,573)</u>

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

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

	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(5,425)	(5,575)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,589	1,699
Change in fair value of warrants	(20)	28
Issuance of warrants – change in terms of liability	151	-
Decrease (increase) in trade accounts receivable, net	(844)	579
Decrease in other accounts receivable	237	94
Decrease in inventories	166	486
Increase (decrease) in trade accounts payable	(248)	1,419
Increase (decrease) in other accounts payable	217	(870)
Decrease in other payables	(26)	(435)
Financial income charged to equity	(45)	(26)
Change in fair value of convertible loan	662	(198)
Capital gain from sale of property, plant and equipment	-	(3)
Impairment of intangible assets	-	362
Expected credit loss (benefit)	113	(8)
Share based payment	48	61
Financial expense (income), net	671	(151)
Net cash used in operating activities	<u>(2,754)</u>	<u>(2,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(290)	(435)
Proceeds from sale of Healthweigh products line	-	961
Proceeds from sale of property, plant and equipment	-	38
Deposit for a new lease agreement	(23)	(17)
Net cash provided by (used in) investment activities	<u>(313)</u>	<u>547</u>

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

	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of warrants	25	195
Payment of short-term finance, net	(41)	(354)
Exercise of options and warrants into shares	668	154
Principal paid on lease liabilities	(685)	(810)
Receipt of long-term loans	-	1,474
Payment of long-term loans	(422)	(364)
Dividend to non-controlling interest	(25)	(38)
Receipt of short-term loans, net	3,387	1,527
Net cash provided by financing activities	2,907	1,784
Decrease in cash and cash equivalents	(160)	(207)
Cash and cash equivalents at the beginning of the year	1,724	1,892
Effects of exchange rate changes on cash and cash equivalents	(72)	39
Cash and cash equivalents at the end of the year	1,492	1,724

APPENDIX A - NON-CASH ACTIVITIES:

	Year ended December 31, 2024	Year ended December 31, 2023
Recognition of right of use assets and lease liabilities	1,364	469
Exercise of warrants into shares	272	108

APPENDIX B - AMOUNTS PAID DURING THE YEAR FOR:

	Year ended December 31, 2024	Year ended December 31, 2023
Income tax paid	23	24
Interest paid	1,450	1,015

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 was located in its Chinese subsidiary Shekel (Ningbo) Scales Ltd. (the "Chinese subsidiary"), to a US-based company - Rice Lake Weighing Systems ("Rice Lake"). In 2024, the Group closed the Chinese subsidiary and transferred its remaining production activities to a subcontractor in the Philippines.
- During 2024, the Group established a new subsidiary in the US, Shekel NA, which is aimed to carry out sales and service activities of the Group's products in North America.

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 28.

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.):

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

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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.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Intangible assets

Intangible assets include internally generated capitalized development costs.

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

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

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

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

Subsequent expenditure on capitalized intangible assets is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

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

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Property, plant and equipment

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

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

* In case the duration of the lease contract is less than the lease improvement, the depreciation is over the contract's period.

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).

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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.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

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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.

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.

Convertible loan

The convertible loan was designated to be measured at fair value through profit or loss. The fair value as at December 31, 2024 and 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. Changes to estimates can result in significant variations in the amounts charged to the consolidated statement comprehensive income in specific periods.

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NOTE 4 - TRADE ACCOUNTS RECEIVABLE, NET:

Composition:

	December 31, 2024	December 31, 2023
Trade accounts receivable	8,474	7,629
Less: impairment allowance for trade accounts receivable	(23)	(22)
	<u>8,451</u>	<u>7,607</u>

Aging analysis of trade accounts receivable*:

	More than 90 days	60-90 days	30-60 days	Up to 30 days	Current	Total
Balance as of December 31, 2024	181	73	281	145	7,794	8,474
Balance as of December 31, 2023	29	13	327	803	6,457	7,629

*The time frames represent overdue periods.

NOTE 5 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2024	December 31, 2023
Institutions	245	282
Advances to suppliers	198	310
Prepaid expenses	142	238
Related parties	50	50
Others	-	2
	<u>635</u>	<u>882</u>

NOTE 6 - INVENTORIES:

	December 31, 2024	December 31, 2023
Raw materials	3,105	2,871
Finished goods	1,357	1,757
	<u>4,462</u>	<u>4,628</u>

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Leasehold improvements	Furniture and equipment	Vehicles	Electronic equipment and software	Total
Cost:					
As of January 1, 2024	256	1,680	216	1,116	3,268
Additions	79	142	12	57	290
As of December 31, 2024	<u>335</u>	<u>1,822</u>	<u>228</u>	<u>1,173</u>	<u>3,558</u>
Accumulated depreciation:					
As of January 1, 2024	(48)	(1,210)	(79)	(951)	(2,288)
Additions	(28)	(88)	(14)	(106)	(236)
As of December 31, 2024	<u>(76)</u>	<u>(1,298)</u>	<u>(93)</u>	<u>(1,057)</u>	<u>(2,524)</u>
Net Book Value:					
As of December 31, 2024	<u><u>259</u></u>	<u><u>524</u></u>	<u><u>135</u></u>	<u><u>116</u></u>	<u><u>1,034</u></u>

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

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

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NOTE 8 - INTANGIBLE ASSETS, NET:

For the year ended December 31, 2024:

	Internally generated capitalized development costs (Amortized on a straight-line basis over 5 years)	Goodwill	Total
Cost:			
As of January 1, 2024	2,337	102	2,439
As of December 31, 2024	<u>2,337</u>	<u>102</u>	<u>2,439</u>
Accumulated amortization:			
As of January 1, 2024	(1,870)	-	(1,870)
Additions	<u>(467)</u>	<u>-</u>	<u>(467)</u>
As of December 31, 2024	<u>(2,337)</u>	<u>-</u>	<u>(2,337)</u>
Net Book Value:			
As of December 31, 2024	<u><u>-</u></u>	<u><u>102</u></u>	<u><u>102</u></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, 2023:

	Internally generated capitalized development costs	Acquired technology	Goodwill	Total
Cost:				
As of January 1, 2023	2,337	546	102	2,985
Disposals	-	(546)	-	(546)
As of December 31, 2023	<u>2,337</u>	<u>-</u>	<u>102</u>	<u>2,439</u>
Accumulated amortization:				
As of January 1, 2023	(1,401)	(184)	-	(1,585)
Additions	(469)	-	-	(469)
Impairment	-	(362)	-	(362)
Disposals	-	546	-	546
As of December 31, 2023	<u>1,870</u>	<u>-</u>	<u>-</u>	<u>1,870</u>
Net Book Value:				
As of December 31, 2023	<u>467</u>	<u>-</u>	<u>102</u>	<u>569</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 467 and 469 for of the year ended December 31, 2024, and 2023, respectively.

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

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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 loss in the amount of 113 and an expected credit benefit in the amount of 8 for the years ended December 31, 2024 and 2023, respectively.

NOTE 10 - OTHER ACCOUNTS PAYABLE:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Employees, salaries and related liabilities	906	892
Accrued expenses	902	564
Current portion of lease liabilities	664	543
Provision for vacation	555	467
Short-term finance	108	149
Tax authorities	90	123
Customers advances	55	55
Provision for warranty	7	32
VAT	-	146
Others	6	25
	<u>3,293</u>	<u>2,996</u>

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NOTE 11 - SHORT AND LONG TERM LOANS:

1. During 2023, the Subsidiary received loans from 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.

During 2024, the Subsidiary refinanced some of its short-term loans from banks in Israel which amounted to NIS 5.3 million (1,430).

These loans were received in NIS and are NIS linked and bears interest of 7.81%-10% per annum which is paid on a monthly basis. As of December 31, 2024 and 2023, the total amount of the loans is 2,206 and 2,637. 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.

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, 2024, the Subsidiary complies with all the loans covenants. 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 as of December 31, 2023.

2. During 2024, the Company renewed loans which amounted to 4,890 with a few lenders. The repayment date of the total amount of the loans including accrued interest has been extended to December 31, 2024.

The loan bears an interest rate of 12.5% per annum. As part of this loan agreement, the lenders were given an option (the "January 2024 Warrants") to purchase 14,330,582 of the Company's ordinary shares. As of December 31, 2024, the total amount of the loan including the accrued interest amounted to 5,199.

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NOTE 11 - SHORT AND LONG TERM LOANS (CONT.):

3. In January 2024, the Company renewed a loan of 1,700 with one lender. The repayment date of the total amount of the loans including accrued interest, amounted to 1,809, has been extended to December 31, 2024. As part of this loan agreement, the lender was given an option (the "Second January 2024 Warrants") to purchase 4,537,808 of the Company's ordinary. As of December 31, 2024, the total amount of the loan including the accrued interest amounted to 1,755.
4. During 2024, the Company received 3,599 from a few lenders. The loan is due and payable in cash on December 31, 2024. The loan bears an interest rate of 12.5% per annum. As part of this loan agreement, the lenders were given an option (the "2024 Warrants") to purchase 5,907,097 of the Company's ordinary shares. As of December 31, 2024, the total amount of the loan including the accrued interest amounted to 3,765.
5. All Warrants have the same exercise conditions. The exercise price is equal to 75% of the volume weighted average price of the Company's shares on ASX in the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date.
6. During 2024, all Warrants were converted into 24,775,487 ordinary shares of the Company.
7. In March 2025, the lenders have committed to extend a part of their loans' due date no earlier than March 31, 2026 (see note 28.4).

NOTE 12 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

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

	<u>Short-term finance</u>
As of January 1, 2024	(149)
<u>Changes from financing cash flows:</u>	
Payment of short-term finance	41
As of December 31, 2024	<u>(108)</u>

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

	<u>Convertible loan</u>
As of January 1, 2024	(6,140)
<u>Changes from other activities:</u>	
Accrued interest expenses	(347)
Interest paid	249
Change in fair value of convertible loan	(662)
Exchange rate differences	53
As of December 31, 2024	<u>(6,847)</u>
	<u>Short and long term loans</u>
As of January 1, 2024	(9,428)
<u>Changes from financing cash flows:</u>	
Receipt of long-term loans	-
Payment of long-term loans	422
Receipt of short-term loans, net	(3,387)
<u>Changes from other activities:</u>	
Accrued interest expenses	(1,360)
Interest paid	893
Exchange rate differences	(264)
As of December 31, 2024	<u>(13,124)</u>
	<u>Lease liabilities</u>
As of January 1, 2024	(5,403)
<u>Changes from other activities:</u>	
Additions	(1,364)
Adjustments	(100)
Exchange rate differences	8
Accretion of interest	(308)
Interest payment	308
<u>Changes from financing cash flows:</u>	
Principal payment	685
As of December 31, 2024	<u>(6,174)</u>

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

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

	Convertible loan
As of January 1, 2023	(6,541)
<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
As of December 31, 2023	(6,140)

	Short and long term loans
As of January 1, 2023	(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
As of December 31, 2023	(9,428)

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

	<u>Lease liabilities</u>
As of January 1, 2023	(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
As of December 31, 2023	<u>(5,403)</u>

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, 2024 and 2023 the convertible loan's fair value is 6,705 and 6,098, respectfully.

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NOTE 14 - EQUITY:

Composition:

	<u>Authorized</u>	<u>Issued and outstanding</u>
	<u>Number of shares as of December 31, 2024</u>	
Ordinary shares par value of NIS 0 per share	<u>400,000,000</u>	<u>228,061,237</u>

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

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:

	Date	Number of shares
Opening balance at January 1, 2023	-	192,643,883
Exercise of RSU's	01/2023	6,212,366
Exercise of warrants	07/2023	4,429,500
Closing balance at December 31, 2023	-	203,285,749
Exercise of warrants	01/2024	7,500,000
Exercise of warrants	09/2024	9,362,134
Exercise of warrants	10/2024	7,913,353
Closing balance at December 31, 2024	-	228,061,236

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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, 2024 and 2023 are comprised, as follows:

	Year ended December 31, 2024	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	12,951,376	\$ 0.136
Outstanding at end of year	12,951,376	\$ 0.124
Exercisable options	12,951,376	\$ 0.124

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

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NOTE 14 – EQUITY (CONT.):

Restricted Stock Units

1. On August 28, 2024, the Group established additional Restricted Stock Units plan (the "Fifth RSUs Plan"). Under the Fourth RSUs Plan a total of 480,000 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 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.
3. 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.
4. 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,

SHEKEL BRAINWEIGH LTD.
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subject to the Subsidiary meeting its 2022 revenue target. These 50% were forfeited on March 29, 2023.

NOTE 14 – EQUITY (CONT.):

Restricted Stock Units (Cont.)

- 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 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.
5. 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.
 6. During 2023, nine employees terminate their employment with the Company. Therefore, the RSUs which were granted to those employees were forfeited.

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

Restricted Stock Units (Cont.)

The RSUs to employees outstanding as of December 31, 2024 and 2023 are comprised, as follows:

	Year ended December 31, 2024
	Number of RSUs
Outstanding at beginning of year	7,200,500
Grant	480,000
Expiration	-
Exercise	-
Outstanding at end of year	<u>7,680,500</u>
Exercisable RSUs	<u>-</u>

	Year ended December 31, 2023
	Number of RSUs
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>-</u>

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NOTE 14 - EQUITY (CONT.):

Loss per share

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

	Year ended December 31, 2024	Year ended December 31, 2023
Loss for the year attributed to owners of the parent	(5,469)	(5,712)
Weighted average number of ordinary shares	215,411,201	198,474,026
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)

NOTE 15 - REVENUES:

	Year ended December 31, 2024	Year ended December 31, 2023
Sale of goods	23,055	23,618
Services	3,722	3,574
	26,777	27,192

Geographical analysis of revenue:

	Year ended December 31, 2024	Year ended December 31, 2023
Europe	12,883	13,099
Israel	8,523	7,911
United States	4,758	4,514
Others	613	1,668
	26,777	27,192

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NOTE 16 - COST OF REVENUES:

	Year ended December 31, 2024	Year ended December 31, 2023
Purchase of scales and raw materials	12,235	13,724
Salary and related expenses	3,587	3,325
Depreciation	505	621
Intangible asset amortization	467	469
Vehicle maintenance	319	346
Office maintenance	182	106
Change in inventories	166	486
Others	11	49
	<u>17,472</u>	<u>19,126</u>

NOTE 17 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2024	Year ended December 31, 2023
Salary and related expenses	2,906	2,822
Depreciation	242	243
Materials, subcontractors and related expenses	148	146
Office maintenance	130	177
Vehicle maintenance	47	54
Share based payment	4	7
Impairment of intangible assets	-	362
	<u>3,477</u>	<u>3,811</u>

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NOTE 18 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2024	Year ended December 31, 2023
Salary and related expenses	2,773	2,095
Exhibitions, materials and promotions	601	772
Travel abroad	306	177
Vehicles maintenance	218	200
Depreciation	175	164
Transportation and deliveries	143	191
Office maintenance	52	35
Others	22	10
	<u>4,290</u>	<u>3,644</u>

NOTE 19 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2024	Year ended December 31, 2023
Salary and related expenses	1,608	2,369
Professional fees	882	1,394
Management fees	316	254
Depreciation	200	202
Directors' fees	195	206
Vehicles maintenance	193	94
Office maintenance	172	321
Travel abroad	66	41
Share based payment	34	46
VAT	-	(40)
Others	5	32
	<u>3,671</u>	<u>4,919</u>

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NOTE 20 - FINANCIAL INCOME:

	Year ended December 31, 2024	Year ended December 31, 2023
Exchange rate differences, net	(63)	(67)
Dividend benefit to owners	(45)	(26)
Change in fair value of warrants	(20)	-
Convertible loan's change in fair value	-	(198)
	<u>(128)</u>	<u>(291)</u>

NOTE 21 - FINANCIAL EXPENSE:

	Year ended December 31, 2024	Year ended December 31, 2023
Linkage and interest	1,415	378
Convertible loan's change in fair value	662	-
Bank fees and interests	385	469
Convertible loan's interest	347	313
Leases	308	267
Issuance of warrants – change in terms of liability	151	-
Change in fair value of warrants	-	28
	<u>3,268</u>	<u>1,455</u>

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NOTE 22 - LEASES:

The Group has lease contracts for office facilities and vehicles used in its operations. Leases of office facilities generally have lease terms of between 2 and 24.5 years and vehicles generally have lease terms between 2 and 3 years. The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised in assessing the lease terms.

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

	<u>Office facilities</u>	<u>Vehicles</u>	<u>Total</u>
At January 1, 2024	4,913	780	5,693
Additions	645	742	1,387
Lease modification	128	(18)	110
Depreciation expense	(347)	(539)	(886)
As at December 31, 2024	<u>5,339</u>	<u>965</u>	<u>6,304</u>

Set out below are the carrying amounts of right-of-use assets recognized and the movements during 2023:

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

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

	<u>2024</u>
At January 1, 2024	5,403
Additions	1,364
Lease modification	101
Accretion of interest	308
Exchange rate differences	(9)
Interest payment	(308)
Principal payment	(685)
As at December 31, 2024	<u>6,174</u>

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NOTE 22 – LEASES (CONT.):

The following are the amounts recognized in profit or loss:

	2024
Depreciation expense of right-of-use assets	886
Exchange rate differences	(9)
Interest expense on lease liabilities	308
Total amount recognized in profit or loss	1,185

Set out below are the carrying amounts of lease liabilities and the movements during 2023:

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

The following are the amounts recognized in profit or loss:

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

The Group had total cash outflows for leases of 1,016 and 1,094 in 2024 and 2023, respectively. The Group also had non-cash additions to right-of-use assets of 1,364 and 469 in 2024 and 2023, respectively.

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NOTE 23 - TAXES ON INCOME:

1. General tax rate applicable to income in Israel:

Israeli corporate tax rates are 23% in 2024 and 2023.

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 2024 and 2023. The tax rates that applied to the Israeli Company's taxable income which do not derived from its manufacturing activities are 23% in 2024 and 2023, 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:

	Year ended December 31, 2024	Year ended December 31, 2023
Current tax expenses	39	114
	<u>39</u>	<u>114</u>

5. Tax reconciliation:

	Year ended December 31, 2024	Year ended December 31, 2023
Loss before taxation	(5,386)	(5,461)
Theoretical tax credit at applicable statutory 2024 & 2023: 23%	(1,239)	(1,256)
Effect of preferred enterprise tax rate in Israel (less non - manufacturing activities) and tax rates of subsidiaries	200	465
Deferred tax asset which was not recognized or reversed	617	639
Non-allowable expenses	414	163
Miscellaneous	47	103
Tax on income	<u>39</u>	<u>114</u>

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NOTE 23 - TAXES ON INCOME (CONT.):

6. Net losses carry forwards:

As of December 31, 2024, and 2023, the Group has estimated carry forward tax losses of approximately 19,412 and 15,912, 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 24 - COMMITMENTS AND CONTINGENT LIABILITIES:

Liability for royalties payable

The Group is committed to pay royalties to the Israeli government on proceeds from sales of products in China. Under the terms of the Israeli government funding program, the Group will pay royalties of 3% of the increase in sales 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. During 2023, the commitment was ended. As of December 31, 2024 and 2023, the liability for royalties payable is 0 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 25 - RELATED PARTIES AND SHAREHOLDERS:

The following transactions arose with related parties:

Transaction - expenses (income)	Year ended December 31, 2024	Year ended December 31, 2023
Salary expenses – Kibbutz Beit Keshet members (shareholder)	30	26
Previous year expenses to Kibbutz Beit Keshet (shareholder) *	-	423
Wages for directors	195	206
Management fees	316	254
Consulting expenses	-	21
Interest income from shareholders	(45)	(26)

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

Receivables from related parties

Name	Nature of transaction	December 31, 2024	December 31, 2023
Related parties (presented under loan to related parties)	Loans to shareholders	44	160
Related parties (presented under other accounts receivables)	Ongoing transactions	52	36

Liabilities to related party

Name	Nature of transaction	December 31, 2024	December 31, 2023
Related parties (presented under trade accounts payable)	Previous year expenses	(270)	(236)
Related parties (presented under trade accounts payable)	Ongoing transactions	(25)	(28)

Benefits to key management personnel

Nature of transaction	Year ended December 31, 2024	Year ended December 31, 2023
Salary and related expenses (short-term)	2,908	2,736
Share based payment	41	60
	<u>2,949</u>	<u>2,796</u>

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NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

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

Credit risk:

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

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash and cash equivalents	1,492	1,724
Trade accounts receivable	8,451	7,607
Other accounts receivable	50	52
Loans to related party	44	160
Total	<u>10,037</u>	<u>9,543</u>

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NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk:

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

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

Assets	December 31, 2024			
	NIS	AUD	EURO	TOTAL
Cash and cash equivalents	401	6	622	1,029
Trade accounts receivable	2,892	-	1,612	4,504
Other accounts receivable	52	-	-	52
Loans to related party	44	-	-	44
	3,389	6	2,234	5,629

Liabilities				
	NIS	AUD	EURO	TOTAL
Short term loans	1,555	-	139	1,694
Trade accounts payable	1,613	35	190	1,838
Other accounts payable	919	146	15	1,080
Convertible loan	5,021	-	-	5,021
Long term loans	650	-	60	710
Lease liabilities	5,510	-	-	5,510
	15,268	181	404	15,853

Net	(11,879)	(175)	1,830	(10,224)
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NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.):

Assets

December 31, 2023

	NIS	AUD	EURO	CNY	TOTAL
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
	2,398	5	1,650	167	4,220

Liabilities

	NIS	AUD	EURO	CNY	TOTAL
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
	15,246	111	1,068	217	16,642

Net	(12,848)	(106)	582	(50)	(12,422)
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NOTE 27 - 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, 2024</u>	<u>Year ended December 31, 2023</u>
NIS	1,188	1,285
AUD	18	11
EURO	(183)	(58)

Liquidity risks:

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

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NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Liquidity risks (cont.):

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

	Up to 3	Between	Between	Between	Over	
At December 31, 2024	Months	3 and 12	1 and 2	2 and 5	5 years	Total
		months	year	years		
Short term loans	785	13,003	-	-	-	13,788
Trade accounts payable	3,465	-	-	-	-	3,465
Other accounts payable	1,261	714	-	-	-	1,975
Lease liabilities	-	-	762	1,222	6,861	8,845
Convertible loan at fair value	-	4,538	-	-	-	4,538
Long term loans	-	-	411	373	-	784
Total	5,511	18,255	1,173	1,595	6,861	33,395

	Up to 3	Between	Between	Between	Over	
At December 31, 2023	Months	3 and 12	1 and 2	2 and 5	5 years	Total
		months	year	years		
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
Total	6,840	8,874	5,310	1,138	6,133	28,295

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NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Fair value of financial liabilities

Items carried at fair value as of December 31, 2024 are classified in the table below:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
As of December 31, 2024				
Convertible loan	-	6,705	-	6,705

	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

NOTE 27 - 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
		2024	2023	
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. (until April 2024)	China	-	100%	Shekel Scales (2008) Ltd.
Abilanx	France	60%	60%	Shekel EU S.A
Shekel NA	USA	100%	-	Shekel Scales (2008) Ltd.

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NOTE 28 - SUBSEQUENT EVENTS:

1. In February 2025, the Company received 500 from a lender. According to the terms of the loan, it will be repaid after 60 days from the funding date. The loan bears an interest rate of 15% per annum.
2. On March 5, 2025, Shekel EU S.A signed an agreement with a third party in order to sell its holdings in Abilanx, the France subsidiary. The total consideration amounted to 514,000 Euro.
3. On February 11, 2025, the Company officially delisted from the Australian Securities Exchange (ASX).
4. In March 2025, the lenders have committed to extend a part of their loans' due date no earlier than March 31, 2026 with the right to convert the note into equity of the Company. The total amount of the loans which were extended including the accrued interest amounted to 10,409. The Lender will be granted an option to purchase shares of SBW at a price of USD 0.0105 per share and in a relative quantity that will reflect 2.5 shares for every USD 1 loan delivered to Shekel for a period of one year.