

# **SHEKEL BRAINWEIGH LTD.**

**ARBN 625 669 445**

**APPENDIX 4E**

**PRELIMINARY REPORT**

**AS OF DECEMBER 31, 2022**

# **SHEKEL BRAINWEIGH LTD.**

## **PRELIMINARY REPORT**

Shekel Brainweigh Ltd. (the "Company") was established on 18 March, 2018 as an Israeli company. Its wholly owned subsidiary, Shekel Scales 2008 Ltd. (hereinafter, the "Subsidiary"), is also domiciled in Israel and was established in 2008.

The Company, the Subsidiary and its underlying subsidiaries (together, the "Group") are among the global leaders of digital weighing technology and engaged in the development, planning, manufacturing, assembly and marketing of electronic weighing systems.

As of 2022 the products of the retail innovation division are in their commercialization stage and therefore the Group refers to it as part of the full retail solution it provides to the market and does not differentiate these products from its other retail solution products, resulting in the Group changing the internal reporting provided to the chief operating decision-maker, and the new reporting segments is by markets the products serve ,being: Retail, HealthCare and Industry.

In prior years, the Group has analyzed its segments under the traditional division and the retail innovation division.

### **Highlights of the year:**

- Record Group revenue of US\$26.3 million for FY2022, 14% growth on FY2021 results.
- In January 2022, the Company raised through a Share Placements and a Share Purchase Plan AUD 1,112,500 (approximately US\$792 thousand) by issuing of 5,562,500 fully paid ordinary shares of the Company at an issuance price of AUD 0.2 per share. Total issuance expenses amounted to US\$38 thousand and were recognized against share premium.

- During 2022, the Company entered into a Loan and warrants agreement (the "Loan and Warrants Agreement") with six lenders. The Company received 3,000 USD in thousands from the lenders. According to the terms of the loan, it will be repaid after 12 months from the funding date. The loan has a maturity of one year and bears interest rate of 8% per annum. The effective interest rate is 3.6%. As part of the Loan and Warrants Agreement, the lenders were given an option (the "Warrants") to purchase the Company's ordinary shares (1.5 shares for every 1 USD loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date. As of December 31, 2022, all Warrants were converted into 4,500,000 ordinary shares of the Company.
- During 2022, the Subsidiary sold its Healthweigh products line ("HW products line") to US-based company - Rice Lake Weighing Systems ("Rice Lake").

The decision to sell the HW products line is part of the Subsidiary's strategy to increase focus on its advanced retail-tech self-checkout solutions.

Rice Lake has been the US distributor of the HW products line for the Subsidiary for 12 years and is the largest distributor of the product line globally.

The sale to Rice Lake only includes the Subsidiary's medical scales products sold under the Healthweigh brand, and not the Subsidiary's OEM weighing medical products such as those used in neonatal incubators.

Under the agreement, the Subsidiary will continue to distribute Healthweigh products in Israel. The agreement provides that the Subsidiary will continue to manufacture and assemble the Healthweigh products for Rice Lake at the Subsidiary's plant in China for an agreed period until Rice Lake may transfer the production to one of its production plants.

The Rice Lake agreement provides that the Subsidiary will sell to Rice Lake the ownership of Healthweigh brand, the production files of the Healthweigh products and will give Rice Lake a license to use some of the IP used by the Subsidiary for both the Healthweigh products and the Subsidiary's other products.

## APPENDIX 4E

### PRELIMINARY REPORT

#### 1. DETAILS OF REPORTING PERIOD

Name of Entity	SHEKEL BRAINWEIGH LTD. (the "Company")
ARBN	625 669 445
Reporting Period	12 months ended 31 December 2022
Previous Corresponding Period	12 months ended 31 December 2021
Currency	All figures are in thousands USD, unless mentioned otherwise

#### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2022	12 months ended 31 Dec 2021	Increase/ (decrease) %	Amount change
Revenues from ordinary activities	26,355	23,104	14%	3,251
Loss from ordinary activities after tax attributable to members	(2,922)	(6,767)	56.82%	3,845
Net loss for the year attributable to members	(2,922)	(6,767)	56.82%	3,845

#### 3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached financial statements.

#### 4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

#### 5. STATEMENT OF CASH FLOWS

Refer to attached financial statements.

#### 6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached financial statements.

**7. DIVIDENDS/DISTRIBUTIONS**

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No dividends declared in current or prior year.

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**8. DETAILS OF DIVIDEND REINVESTMENT PLANS**

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Not applicable

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**9. NET TANGIBLE ASSETS PER SHARE**

	31 Dec 2022	31 Dec 2021
Net tangible asset backing per ordinary security	(0.008) USD	(0.006) USD

**10. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

Name of associate or joint venture entity	N/A	
Reporting entity's percentage holding in this entity	N/A	
Contribution to net profit/(loss) (where material)	Current Period	Previous Period
	N/A	N/A
Aggregate share of profits/(losses) of the above entity (where material)	Current Period	Previous Period
	N/A	N/A

**11. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

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Refer to attached financial statements.

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**12. FOREIGN ENTITIES**

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Refer to Note 2

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**13. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION**

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Refer to commentary on pages 1 and 2 of the attached Preliminary Report

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**14. AUDIT**

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This report is based on accounts which are in the process of being audited.

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Barak Nir

Chief Financial Officer



**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**(US Dollars in thousands, except for loss per share)**

	<b>Note</b>	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Revenues	5	26,355	23,104
Cost of revenues	6	<u>17,353</u>	<u>14,073</u>
<b>Gross profit</b>		9,002	9,031
Research and development expenses	7	3,966	4,600
Selling and marketing expenses	8	3,803	3,358
General and administrative expenses	9	5,370	4,877
Other expenses (income)		(2,202)	253
Expected credit loss		<u>239</u>	<u>12</u>
<b>Operating loss</b>		(2,174)	(4,069)
Financial income		1,693	309
Financial expense		<u>1,955</u>	<u>2,855</u>
<b>Loss before tax</b>		(2,436)	(6,615)
Tax on income		<u>371</u>	<u>72</u>
<b>Loss for the year</b>		<u>(2,807)</u>	<u>(6,687)</u>
<b>Other comprehensive loss, net of tax:</b>			
Items that will or may be reclassified to profit or loss:			
Exchange losses arising on translation of foreign operations		<u>(140)</u>	<u>(52)</u>
<b>Total comprehensive loss for the year</b>		<u>(2,947)</u>	<u>(6,739)</u>
<b>Loss for the year attributed to:</b>			
Owners of the Company		(2,922)	(6,767)
Non - controlling interest		<u>115</u>	<u>80</u>
		<u>(2,807)</u>	<u>(6,687)</u>
<b>Total comprehensive loss for the year attributed to:</b>			
Owners of the Company		(3,037)	(6,782)
Non - controlling interest		<u>90</u>	<u>43</u>
		<u>(2,947)</u>	<u>(6,739)</u>
Basic and diluted loss per share		<u>\$(0.02)</u>	<u>\$(0.04)</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2022****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		1,892	1,981
Trade accounts receivable, net		8,186	7,576
Other accounts receivable		1,871	799
Inventories	3	5,114	4,948
Loans to related parties		<u>157</u>	<u>447</u>
		<u>17,220</u>	<u>15,751</u>
<b>Non-Current Assets:</b>			
Right of use assets, net		6,132	6,293
Property, plant and equipment, net		825	803
Intangible assets, net	4	<u>1,400</u>	<u>2,040</u>
		<u>8,357</u>	<u>9,136</u>
<b>Total Assets</b>		<u><u>25,577</u></u>	<u><u>24,887</u></u>

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2022****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Short term loans		6,301	3,958
Trade accounts payable		2,294	2,769
Other accounts payable		4,256	3,617
Warrants		-	2
		<u>12,851</u>	<u>10,346</u>
<b>Non-Current Liabilities:</b>			
Lease liabilities		5,052	5,899
Convertible loan at fair value		6,499	6,312
Long term loans		292	404
Employee benefit liabilities		457	340
Liability for royalties payable		4	4
		<u>12,304</u>	<u>12,959</u>
<b>Shareholders' Equity:</b>			
<b>Equity attributable to owners of the Company:</b>			
Share capital and premium		13,048	9,926
Foreign exchange reserve		(105)	10
Share based payment reserve		1,642	2,955
Retained losses		(14,749)	(11,805)
		<u>(164)</u>	<u>1,086</u>
Non - controlling interest		586	496
<b>Total Shareholders' Equity</b>		<u>422</u>	<u>1,582</u>
<b>Total Liabilities And Equity</b>		<u>25,577</u>	<u>24,887</u>



# SHEKEL BRAINWEIGH LTD.

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## Appendix 4E Preliminary Report

### PRELIMINARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2022

(US Dollars in thousands)

	<u>Equity attributable to Share Holders of the Company</u>					<u>Non-controlling interest</u>	<u>Total Shareholders' equity</u>
	<u>Share capital</u>	<u>Foreign exchange reserve</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total</u>		
<b>Balance at January 1, 2021</b>	<u>7,739</u>	<u>25</u>	<u>2,089</u>	<u>(5,013)</u>	<u>4,840</u>	<u>489</u>	<u>5,329</u>
<b>Changes during 2021:</b>							
Profit (loss) for the year	-	-	-	(6,767)	(6,767)	80	(6,687)
Other comprehensive loss	-	(15)	-	-	(15)	(37)	(52)
Total comprehensive income (loss)	-	(15)	-	(6,767)	(6,782)	43	(6,739)
Issue of shares, net	2,187	-	-	-	2,187	-	2,187
Share based compensation	-	-	866	-	866	-	866
Dividend	-	-	-	-	-	(36)	(36)
Benefit to owners	-	-	-	(25)	(25)	-	(25)
<b>Balance at December 31, 2021</b>	<u>9,926</u>	<u>10</u>	<u>2,955</u>	<u>(11,805)</u>	<u>1,086</u>	<u>496</u>	<u>1,582</u>
<b>Changes during 2022:</b>							
Profit (loss) for the year	-	-	-	(2,922)	(2,922)	115	(2,807)
Other comprehensive loss	-	(115)	-	-	(115)	(25)	(140)
Total comprehensive income (loss)	-	(115)	-	(2,922)	(3,037)	90	(2,947)
Issue of shares, net	754	-	-	-	754	-	754
Share based compensation	-	-	739	-	739	-	739
Exercised of RSUs and warrants	2,368	-	(2,052)	-	316	-	316
Benefit to owners	-	-	-	(22)	(22)	-	(22)
<b>Balance at December 31, 2022</b>	<u>13,048</u>	<u>(105)</u>	<u>1,642</u>	<u>(14,749)</u>	<u>(164)</u>	<u>586</u>	<u>422</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022****(US Dollars in thousands)**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	(2,807)	(6,687)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,666	1,749
Change in fair value of Warrants	(87)	(174)
Increase in trade accounts receivable, net	(610)	(2,144)
Decrease (increase) in other accounts receivable	(2,314)	435
Increase in inventories	(849)	(1,484)
Increase (decrease) in trade accounts payable	(475)	579
Increase in other accounts payable	138	778
Increase in employee benefits	117	50
Decrease in liability for royalties payable	-	(6)
Financial income charged to equity	(22)	(25)
Change in fair value of Convertible loan	925	996
Financial expenses, net	(1,769)	674
Capital loss from sale of property, plant and equipment	(19)	48
Impairment of Intangible assets	184	-
Expected credit loss	239	12
Other income	-	(110)
Share based payment	739	866
<b>Net cash used in operating activities</b>	<b>(4,944)</b>	<b>(4,443)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>		
Purchase of property, plant and equipment	(357)	(562)
Proceeds from sale of Healthweigh products line	1,964	-
Proceeds from sale of property, plant and equipment	19	24
Capitalized development costs	(11)	(395)
<b>Net cash provided by (used in) investment activities</b>	<b>1,615</b>	<b>(933)</b>

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022****(US Dollars in thousands)**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of shares and Warrants, net	839	2,363
Factoring	503	-
Warrants' execution	316	-
Payment on lease liabilities	(810)	(857)
Convertible notes issuance	-	5,021
Receipt of long-term loans	85	543
Payment of long-term loans	(107)	(13)
Dividend to non-controlling interest	-	(36)
Receipt (payment) of short-term loans, net	2,552	(1,091)
<b>Net cash provided by financing activities</b>	<b>3,378</b>	<b>5,930</b>
	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
<b>Net decrease in cash and cash equivalents</b>	<b>49</b>	<b>554</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,981</b>	<b>1,478</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(138)</b>	<b>(51)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,892</b>	<b>1,981</b>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**(US Dollars in thousands)**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
<b>APPENDIX A - NON-CASH ACTIVITIES:</b>		
Recognition of right of use asset	588	6,229
Recognition of lease liabilities	569	6,175
Derecognition of right of use asset	-	1,144
Derecognition of lease liabilities	-	1,254
	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
<b>APPENDIX B - AMOUNT PAID DURING THE YEAR FOR:</b>		
Income tax paid	10	10
Income tax received	-	(195)
Interest paid	522	310

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(US Dollars in thousands)**

**NOTE 1 - BASIS OF PREPARATION:**

The preliminary report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with International Financing Reporting Standards (IFRS) and the Corporations Act 2001. The consolidated financial statements have been prepared on an actuals basis and are based on historical cost convention.

**NOTE 2 - 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
		2022	2021	
Shekel Scales 2008 Ltd.	Israel	100%	100%	Shekel Brainweigh Ltd.
Shekel EU S.A	Luxemburg	100%	100%	Shekel Scales 2008 Ltd.
Shekel USA LLC	USA	-	100%	Shekel Scales 2008 Ltd.
Shekel (Ningbo) Scales Ltd.	China	100%	100%	Shekel Scales 2008 Ltd.
Abilanx	France	60%	60%	Shekel EU S.A
Goopi Ltd	UK	-	100%	Shekel Scales 2008 Ltd.

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(US Dollars in thousands)****NOTE 3 - INVENTORIES:**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	2,744	2,724
Work in process	218	137
Finished goods	2,152	2,087
	<u>5,114</u>	<u>4,948</u>

**NOTE 4 - INTANGIBLE ASSETS, NET:**

	<b>Internally generated capitalized development costs</b>	<b>Acquired technology</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost:</b>				
<b>As of January 1, 2022</b>	2,337	535	102	2,974
Additions	-	11	-	11
Disposals	-	-	-	-
<b>As of December 31, 2022</b>	<u>2,337</u>	<u>546</u>	<u>102</u>	<u>2,985</u>
<b>Accumulated depreciation:</b>				
<b>As of January 1, 2022</b>	(934)	-	-	(934)
Additions	(467)	-	-	(467)
Disposals	-	(184)	-	(184)
<b>As of December 31, 2022</b>	<u>(1,401)</u>	<u>(184)</u>	<u>-</u>	<u>(1,585)</u>
<b>Net Book Value:</b>				
<b>As of December 31, 2022</b>	<u>936</u>	<u>362</u>	<u>102</u>	<u>1,400</u>
<b>As of December 31, 2021</b>	<u>1,403</u>	<u>535</u>	<u>102</u>	<u>2,040</u>

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**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(US Dollars in thousands)**

**NOTE 5 - REVENUES:**

**Revenues arises from:**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Sale of goods	22,671	19,261
Services	3,684	3,843
	<u>26,355</u>	<u>23,104</u>

**NOTE 6 - COST OF REVENUES:**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Purchase of scales and raw materials	12,266	10,916
Salary and related expenses	3,779	3,208
Depreciation	564	509
Intangible asset amortization	467	467
Vehicle maintenance	308	254
Office maintenance	112	161
Change in inventories	(166)	(1,484)
Others	23	42
	<u>17,353</u>	<u>14,073</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(US Dollars in thousands)**

**NOTE 7 - RESEARCH AND DEVELOPMENT EXPENSES:**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Salary and related expenses	3,016	2,957
Share based compensation	279	827
Depreciation	227	213
Materials, subcontractors and related expenses	191	515
Impairment of Intangible assets	184	-
Office maintenance	43	32
Vehicle maintenance	26	56
	<u>3,966</u>	<u>4,600</u>

**NOTE 8 - SELLING AND MARKETING EXPENSES:**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Salary and related expenses	2,295	2,233
Exhibitions, materials and promotions	751	478
Vehicles maintenance	252	175
Depreciation	140	130
Travel abroad	155	126
Transportation and deliveries	153	174
Office maintenance	57	42
	<u>3,803</u>	<u>3,358</u>



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**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(US Dollars in thousands)**

**NOTE 9 - GENERAL AND ADMINISTRATIVE EXPENSES:**

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Salary and related expenses	2,188	2,411
Professional fees	1,571	1,288
Share based compensation	385	28
Office maintenance	340	290
Management fees	279	277
Depreciation	268	238
Directors fees	223	214
Vehicles maintenance	64	74
Travel abroad	45	29
Others	7	28
	<u>5,370</u>	<u>4,877</u>