

**SHEKEL BRAINWEIGH LTD.**

**ARBN 625 669 445**

**APPENDIX 4E**

**PRELIMINARY REPORT**

**AS OF DECEMBER 31, 2020**

# **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.

The Group operates two separately managed divisions;

The first is the traditional division (the "Traditional Segment"), a mature commercial division providing solutions to the retail industrial and healthcare markets. The second is the retail innovation division (the "New Technologies Segment"), a new technology venture delivering AI based solutions for the retail Micro market segment.

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

- The world is currently experiencing an event with actual or potential macroeconomic consequences, originating from the spread of the Corona virus (COVID 19) in many countries globally (hereinafter - "the Coronavirus" or the "Event"). In 2020, no cases of COVID19 were reported among staff. 22% of employees were on Unpaid-leave for 6-12 weeks.

Board members and shareholders employed by the company have taken 30% voluntary pay cut for 90/120 days. Except for employees under the production line, remaining employees have cut working time and salaries to 80% during the period March -May.

Decreased demand for certain products as a consequence of social distancing requirements and recommendations;

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

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

- The Group appointed Mr. Arik Schor to the position of Executive Chairman and CEO of the Company. Mr. Schor brings an extensive business and operational experience following successful career as CEO of Tnuva, the largest food manufacturer in Israel, a company with US 2B annual revenue.
- Mr. Nir Leshem was appointed as Chief Executive Officer of the Traditional Segment. Previously, Mr Leshem was at 3M, a multinational engineering conglomerate, as Director of Transportation Safety Division in the US. He was largely responsible for mergers, acquisitions and integrations and strategic and operational management of the business, working within budgets of USD 350-600 million.
- The Traditional Segment resilient operation during COVID 19, with continued manufacturing and delivery of systems globally.  
The division recorded revenue of 18,038 US Dollar in 2020, and acquired new clients in a challenging business environment, while showing slight sales increase in the medical OEM sector and in the Israeli local market across all segments, slight lower sales in the retail market and significant decrease in the global medical device business (Health weigh product line) driven solely by COVID19.
- The Traditional Segment commencing development of the Fast-Track solution for Self Check Out (SCO's) in collaboration with Razor.  
Fast Track is progressing according to plan, with expected launch in the second half of 2021.
- Retail Innovation Division launched its first Autonomous store together with Casino (MonoPrix), a major French retailer. The first store is open in Paris since December 2020.  
This completely autonomous store marks a significant achievement, in a competitive landscape, with strong outlook, and potential growth.
- The New Technologies Segment launched Hubz, second generation of Smart vending, following the introduction of Innovendi.  
The Hubz is a cooperation with Imbera (US) and Parlevel (US) targeting predominantly the US and Latin America markets.
- The New Technologies Segment continued engagement with several retail operators globally and trials conducted in France, Israel, USA and Australia.  
While 2020 was a challenging year to introduce new solutions, the New Technologies Segment was able to secure and deliver trial systems to retail clients.  
Trials are commencing successfully.

## 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 2020
Previous Corresponding Period	12 months ended 31 December 2019
Currency	All figures are in thousands USD, unless mentioned otherwise

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

Key information	12 months ended	12 months ended	Increase/	Amount
	31 Dec 2020	31 Dec 2019	(decrease)	change
			%	
Revenues from ordinary activities	18,306	18,817	(2.7)%	(511)
Loss from ordinary activities after tax attributable to members	(4,447)	(3,410)	(30.41)%	(1,037)
Net loss for the year attributable to members	(4,447)	(3,410)	(30.41)%	(1,037)

#### 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.

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**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**

	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Net tangible asset backing per ordinary security	0.018 USD	0.043 USD

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

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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 2020****(US Dollars in thousands, except for loss per share)**

	<b>Note</b>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Revenues	5	18,306	18,817
Cost of revenues	6	<u>11,336</u>	<u>10,596</u>
<b>Gross profit</b>		6,970	8,221
Research and development expenses	7	4,153	3,472
Selling and marketing expenses	8	2,660	2,296
General and administrative expenses	9	4,094	4,077
Expected credit loss (income)		<u>(210)</u>	<u>698</u>
<b>Operating loss</b>		(3,727)	(2,322)
Financial income		45	40
Financial expense		<u>767</u>	<u>797</u>
<b>Loss before tax</b>		(4,449)	(3,079)
Tax on income		<u>(44)</u>	<u>256</u>
<b>Loss for the year</b>		<u>(4,405)</u>	<u>(3,335)</u>
<b>Other comprehensive income (loss), net of tax:</b>			
Items that will or may be reclassified to profit or loss:			
Exchange gains (losses) arising on translation of foreign operations		<u>55</u>	<u>(6)</u>
<b>Total comprehensive loss for the year</b>		<u>(4,350)</u>	<u>(3,341)</u>
<b>Profit (loss) for the year attributed to:</b>			
Owners of the Company		(4,447)	(3,410)
Non - controlling interest		<u>42</u>	<u>75</u>
		<u>(4,405)</u>	<u>(3,335)</u>
<b>Total comprehensive income (loss) for the year attributed to:</b>			
Owners of the Company		(4,430)	(3,410)
Non - controlling interest		<u>80</u>	<u>69</u>
		<u>(4,350)</u>	<u>(3,341)</u>
Basic and diluted loss per share		<u>\$(0.03)</u>	<u>\$(0.02)</u>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS OF 31 DECEMBER 2020**

**(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		1,478	2,574
Trade accounts receivable, net		5,432	5,833
Other accounts receivable		1,287	1,299
Inventories	3	3,464	3,465
Loans to related parties		<u>454</u>	<u>233</u>
		<u>12,115</u>	<u>13,404</u>
<b>Non-Current Assets:</b>			
Right of use assets, net		2,044	2,426
Property, plant and equipment, net		567	572
Intangible assets	4	<u>2,304</u>	<u>3,242</u>
		<u>4,915</u>	<u>6,240</u>
<b>Total Assets</b>		<u><u>17,030</u></u>	<u><u>19,644</u></u>

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2020****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Short term loans		4,847	4,059
Trade accounts payable		2,190	1,465
Other accounts payable		<u>2,737</u>	<u>2,572</u>
		<u>9,774</u>	<u>8,096</u>
<b>Non-Current Liabilities:</b>			
Lease liabilities		1,621	1,805
Employee benefit liabilities		290	263
Liability for royalties payable		<u>10</u>	<u>25</u>
		<u>1,921</u>	<u>2,093</u>
<b>Shareholders' Equity:</b>			
<b>Equity attributable to owners of the Company:</b>			
Share capital and premium		7,739	7,739
Foreign exchange reserve		25	8
Share based payment reserve		2,089	1,834
Retained losses		<u>(5,007)</u>	<u>(535)</u>
		<u>4,846</u>	<u>9,046</u>
Non - controlling interest		<u>489</u>	<u>409</u>
<b>Total Shareholders' Equity</b>		<u>5,335</u>	<u>9,455</u>
<b>Total Liabilities And Equity</b>		<u>17,030</u>	<u>19,644</u>

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**PRELIMINARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2020**

(US Dollars in thousands)

**Equity attributable to Share Holders of the Company**

	<u>Share capital</u>	<u>Foreign exchange reserve</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non- controlling interest</u>	<u>Total Shareholders' equity</u>
<b>Balance at January 1, 2019</b>	<u>7,739</u>	<u>8</u>	<u>1,265</u>	<u>2,899</u>	<u>11,911</u>	<u>340</u>	<u>12,251</u>
<b>Changes during 2019:</b>							
Profit (loss) for the year	-	-	-	(3,410)	(3,410)	75	(3,335)
Other comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
Total comprehensive income (loss)	-	-	-	(3,410)	(3,410)	69	(3,341)
Share based compensation	-	-	569	-	569	-	569
Benefit to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>(24)</u>	<u>-</u>	<u>(24)</u>
<b>Balance at December 31, 2019</b>	<u><u>7,739</u></u>	<u><u>8</u></u>	<u><u>1,834</u></u>	<u><u>(535)</u></u>	<u><u>9,046</u></u>	<u><u>409</u></u>	<u><u>9,455</u></u>
<b>Changes during 2020:</b>							
Profit (loss) for the year	-	-	-	(4,447)	(4,447)	42	(4,405)
Other comprehensive loss	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>38</u>	<u>55</u>
Total comprehensive income (loss)	-	17	-	(4,447)	(4,430)	80	(4,350)
Share based compensation	-	-	255	-	255	-	255
Benefit to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>	<u>(25)</u>
<b>Balance at December 31, 2020</b>	<u><u>7,739</u></u>	<u><u>25</u></u>	<u><u>2,089</u></u>	<u><u>(5,007)</u></u>	<u><u>4,846</u></u>	<u><u>489</u></u>	<u><u>5,335</u></u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020****(US Dollars in thousands)**

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	(4,405)	(3,335)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	2,115	1,011
Decrease (increase) in trade accounts receivable, net	401	(260)
Decrease (increase) in other accounts receivable	12	(660)
Decrease (increase) in inventories	1	(262)
Increase (decrease) in trade accounts payable	725	(414)
Increase in other accounts payable	277	364
Increase in employee benefits	27	34
Increase (decrease) in liability for royalties payable	(15)	4
Financial income charged to equity	(25)	(24)
Financial expenses, net	379	260
Capital loss from sale of property, plant and equipment	18	13
Expected credit loss (income)	(210)	698
Impairment of Intangible assets	-	161
Share based payment	255	569
Taxes on income, net	-	174
<b>Net cash used in operating activities</b>	<b>(445)</b>	<b>(1,667)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>		
Purchase of property, plant and equipment	(309)	(237)
Proceeds from sale of property, plant and equipment	-	5
Acquisition of software	-	(140)
Capitalized development costs	-	(1,294)
<b>Net cash used in investment activities</b>	<b>(309)</b>	<b>(1,666)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal paid on lease liabilities	(835)	(614)
Receipt (payment) of short term loans, net	438	(243)
<b>Net cash used in financing activities</b>	<b>(397)</b>	<b>(857)</b>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

(US Dollars in thousands)

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Net decrease in cash and cash equivalents	(1,151)	(4,190)
Cash and cash equivalents at the beginning of the year	2,574	6,770
Effects of exchange rate changes on cash and cash equivalents	55	(6)
Cash and cash equivalents at the end of the year	1,478	2,574

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
<b>APPENDIX A - NON-CASH ACTIVITIES :</b>		
Recognition of right of use asset and lease liabilities	499	1,003

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
<b>APPENDIX B - AMOUNT PAID DURING THE YEAR FOR:</b>		
Interest paid	131	156
Income tax paid	36	170

## **SHEKEL BRAINWEIGH LTD.**

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### **Appendix 4E Preliminary Report**

#### **PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2020 (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
		2020	2019	
Shekel Scales 2008 Ltd.	Israel	100%	100%	Shekel Brainweigh Ltd.
Shekel EU S.A	Luxemburg	100%	100%	Shekel Scales 2008 Ltd.
Shekel USA LLC	USA	100%	100%	Shekel Scales 2008 Ltd.
Shekel (Ningbo) Scales Ltd.	China	100%	100%	Shekel Scales 2008 Ltd.
Shekel Shanghai Trading Co. Ltd.	China	100%	100%	Shekel EU S.A
Abilanx	France	60%	60%	Shekel EU S.A
Goopi Ltd.	UK	100%	100%	Shekel Scales 2008 Ltd.
Goopi SARL	Luxemburg	100%	100%	Goopi Ltd

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2020  
(US Dollars in thousands)**

**NOTE 3 - INVENTORIES:**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	2,004	2,113
Work in process	139	188
Finished goods	1,321	1,164
	<u>3,464</u>	<u>3,465</u>

**NOTE 4 - INTANGIBLE ASSETS:**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Internally generated capitalized development costs	2,062	3,000
Acquisition of IP	140	140
Goodwill	102	102
	<u>2,304</u>	<u>3,242</u>

**NOTE 5 - REVENUES:**

**Revenues arises from:**

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sale of goods	14,992	15,533
Services	3,314	3,284
	<u>18,306</u>	<u>18,817</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2020  
(US Dollars in thousands)**

**NOTE 6 - COST OF REVENUES:**

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Purchase of scales and raw materials	7,322	7,327
Salary and related expenses	2,771	2,442
Vehicle maintenance	176	52
Rent and office maintenance	101	132
Intangible asset amortization	467	-
Depreciation	472	432
Others	26	98
Change in inventories	1	113
	<u>11,336</u>	<u>10,596</u>

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

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Salary and related expenses	2,578	2,099
Share based compensation	255	569
Materials, subcontractors and related expenses	514	281
Vehicle maintenance	85	134
Intangible asset amortization	471	-
Depreciation	286	285
Office rent and maintenance	24	88
Impairment of Intangible asset	-	161
Grant received	(60)	(145)
	<u>4,153</u>	<u>3,472</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2020  
(US Dollars in thousands)**

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

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Salary and related expenses	1,608	1,482
Exhibitions, materials and promotions	383	196
Travel abroad	117	139
Vehicles maintenance	174	164
Depreciation	300	103
Transportation and deliveries	27	113
Rent and office maintenance	66	95
Royalties expenses	(15)	4
	<u>2,660</u>	<u>2,296</u>

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

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Salary and related expenses	1,846	1,660
Professional fees	870	910
Travel abroad	39	134
Rent and office maintenance	332	239
Management fees	301	443
Directors fees	244	186
Depreciation	269	191
Vehicles maintenance	99	122
Others	94	192
	<u>4,094</u>	<u>4,077</u>