

**SHEKEL BRAINWEIGH LTD.**

**ARBN 625 669 445**

**APPENDIX E**

**PRELIMINARY REPORT**

**AS OF DECEMBER 31, 2018**

## **ASX ANNOUNCEMENT**

**28 February, 2019**

# **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, assembly and marketing of electronic weighing systems.

Highlights during the year:

- Share purchase agreement - In July 2018, the Group entered into an acquisition agreement with the shareholders of Goopi Ltd., a UK company, according to which the Company acquired 100% of the issued shares of Goopi Ltd. The consideration for the acquisition was zero but the Company agreed to assume all of Goopi Ltd's liabilities, which totaled to approximately EUR165,000.
- Share exchange agreement - In August 2018, the Subsidiary entered into a share exchange agreement (the "Share Exchange Agreement") with the Company and its shareholders according to which, prior to the Company's listing on the Australian Securities Exchange ("ASX"), the Company acquired 100% of the issued shares of the Subsidiary and the shareholders of the Subsidiary received consideration shares of the Company. The Company is the parent company of the Group, established prior to the listing and its financial statements reflect the consolidated financial statements of the Subsidiary including its comparative numbers.

Listing on the ASX - Shekel Brainweigh Ltd. was admitted to the Official List of ASX on 16 November, 2018, with its ordinary fully paid shares having commenced trading on 20 November, 2018. The Company raised A\$10,150,000 pursuant to the offer by the issue of 29,000,000 shares at an issue price of \$0.35 per share.

## 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 2018
Previous Corresponding Period	12 months ended 31 December 2017*
Currency	All figures are in USD, unless mentioned otherwise

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

Key information	12 months ended 31 Dec 2018	12 months ended 31 Dec 2017*	Increase/ (decrease) %	Amount change
Revenues from ordinary activities	18,657	18,221	2.4%	436
Profit/(loss) from ordinary activities after tax attributable to members	(942)	1,904	(150%)	(2,846)
Net profit/(loss) for the year attributable to members	(942)	1,904	(150%)	(2,846)

\*The financial figures for the year ended December 31, 2017 are those of the Subsidiary.

#### 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 2018	31 Dec 2017
Net tangible asset backing per ordinary security	0.073 USD	0.043 USD

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## 10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

### Control gained over entities

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Name of entity (or group of entities)	Shekel Scales 2008 Ltd.
Date control gained	16 August, 2018
Contribution of such entities to the reporting entity's loss from ordinary activities during the period (where material)	(942)
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A
The control gained over Goopi Ltd. is not material under the Company's threshold.	

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### Loss of control over entities

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Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

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**11. 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

**12. 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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**13. FOREIGN ENTITIES**

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Refer to Note 2

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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.**

ARBN 625 669 445

**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	<b>Note</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Revenues		18,657	18,221
Cost of revenues	7	<u>10,349</u>	<u>10,486</u>
<b>Gross profit</b>		8,308	7,735
Research and development expenses	8	2,451	912
Selling and marketing expenses	9	2,427	2,056
General and administrative expenses	10	<u>3,950</u>	<u>2,316</u>
<b>Operating profit (loss)</b>		(520)	2,451
Financial income		33	21
Financial expenses		<u>737</u>	<u>246</u>
<b>Profit (loss) before tax on income</b>		(1,224)	2,226
Tax on income		<u>(325)</u>	<u>287</u>
<b>Profit (loss) for the year</b>		<u>(899)</u>	<u>1,939</u>
<b>Other comprehensive loss (income), net of tax:</b>			
Items that will or may be reclassified to profit or loss:			
Exchange rate differentials pursuant to conversion of foreign activities		(1)	25
<b>Total comprehensive income (loss) for the year</b>		<u>(898)</u>	<u>1,914</u>
<b>Profit (loss) for the year attributed to:</b>			
Owners of the Company		(942)	1,904
Non - controlling interest		43	35
		<u>(899)</u>	<u>1,939</u>
<b>Total comprehensive income (loss) for the year attributed to:</b>			
Owners of the Company		(935)	1,857
Non - controlling interest		37	57
		<u>(898)</u>	<u>1,914</u>
Basic and diluted earnings (loss) per share		<u>\$ (0.01)</u>	<u>\$ 0.02</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2018****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		6,252	1,725
Short term investments		518	330
Trade accounts receivable, net		5,720	5,299
Other accounts receivable		535	671
Inventories	3	<u>3,203</u>	<u>3,525</u>
		<u>16,228</u>	<u>11,550</u>
<b>Non-Current Assets:</b>			
Property, plant and equipment, net		546	603
Intangible assets	4	1,968	1,170
Loans to related parties		859	929
Deferred tax assets		<u>478</u>	<u>204</u>
		<u>3,851</u>	<u>2,906</u>
<b>Total Assets</b>		<u>20,079</u>	<u>14,456</u>

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2018****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Short term loans and current portion of long-term loans	5	3,970	4,628
Trade accounts payable		1,749	1,394
Other accounts payable		1,596	1,992
		<u>7,315</u>	<u>8,014</u>
<b>Non-Current Liabilities:</b>			
Employee benefit liabilities		229	201
Liability for royalties payable		21	20
		<u>250</u>	<u>221</u>
<b>Shareholders' Equity:</b>			
<b>Equity attributable to owners of the Company:</b>			
Share capital	6	7,739	1,796
Foreign exchange reserve		8	1
Capital reserve		1,265	-
Retained earnings		3,162	4,121
		<u>12,174</u>	<u>5,918</u>
Non - controlling interest		340	303
<b>Total Shareholders' Equity</b>		<u>12,514</u>	<u>6,221</u>
<b>Total Liabilities And Equity</b>		<u>20,079</u>	<u>14,456</u>



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**Appendix 4E Preliminary Report**

**PRELIMINARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2018**

(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, 2017</b>	1,796	48	-	2,237	4,081	246	4,327
<b>Changes during 2017:</b>							
Profit for the year	-	-	-	1,904	1,904	35	1,939
Other comprehensive income (loss)	-	(47)	-	-	(47)	22	(25)
Total comprehensive income (loss)	-	(47)	-	1,904	1,857	57	1,914
Benefit to owners	-	-	-	(20)	(20)	-	(20)
<b>Balance at December 31, 2017</b>	<u>1,796</u>	<u>1</u>	<u>-</u>	<u>4,121</u>	<u>5,918</u>	<u>303</u>	<u>6,221</u>
<b>Changes during 2018:</b>							
Profit (loss) for the year	-	-	-	(942)	(942)	43	(899)
Other comprehensive income (loss)	-	7	-	-	7	(6)	1
Total comprehensive income (loss)	-	7	-	(942)	(935)	37	(898)
Issuance of shares, net	5,943	-	115	-	6,058	-	6,058
Share based compensation	-	-	1,150	-	1,150	-	1,150
Benefit to owners	-	-	-	(17)	(17)	-	(17)
<b>Balance at December 31, 2018</b>	<u>7,739</u>	<u>8</u>	<u>1,265</u>	<u>3,162</u>	<u>12,174</u>	<u>340</u>	<u>12,514</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

(US Dollars in thousands)

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit (loss) for the year	(899)	1,939
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	196	182
Increase in trade accounts receivable, net	(421)	(1,281)
Decrease (increase) in other accounts receivable	136	(201)
Decrease (increase) in inventories	322	(172)
Increase in trade accounts payable	355	173
Increase (decrease) in other accounts payable	(396)	536
Increase in employee benefit liabilities	28	101
Change in short term investments	-	8
Increase in liability for royalties payable	1	2
Financial income charged to equity	(17)	(20)
Financial income (expenses), net	(333)	389
Share based payment reserved	1,150	-
Taxes on income, net	(274)	(152)
<b>Net cash provided by (used in) operating activities</b>	<b>(152)</b>	<b>1,504</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>		
Purchase of short term investments	(188)	-
Purchase of property, plant and equipment	(139)	(193)
Proceeds from sale of property, plant and equipment	-	9
Capitalized development costs	(798)	(835)
<b>Net cash used in investment activities</b>	<b>(1,125)</b>	<b>(1,019)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of shares, net	6,058	-
Receipt of short term loans	4,653	4,039
Payment of short term loans	(4,908)	(4,039)
Payment of long term loan	-	(277)
<b>Net cash provided by (used in) financing activities</b>	<b>5,803</b>	<b>(277)</b>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**(US Dollars in thousands)**

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<u>1</u>	<u>(25)</u>
<b>Net increase in cash and cash equivalents</b>	<u>4,527</u>	<u>183</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>1,725</u>	<u>1,542</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>6,252</u></u>	<u><u>1,725</u></u>

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

Purchase of Goopi Ltd. liabilities for nil consideration.

## SHEKEL BRAINWEIGH LTD.

ARBN 625 669 445

### Appendix 4E Preliminary Report

#### PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2018 (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 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
		2018	2017	2016	
Shekel Scales 2008 Ltd.	Israel	100%	-	-	Shekel Brainweigh Ltd.
Shekel EU S.A	Luxemburg	100%	100%	100%	Shekel Scales 2008 Ltd.
Shekel USA LLC	USA	100%	100%	100%	Shekel Scales 2008 Ltd.
Shekel (Ningbo) Scales Ltd.	China	100%	100%	100%	Shekel Scales 2008 Ltd.
Goopi Ltd.	UK	100%	-	-	Shekel Scales 2008 Ltd.
Shekel Shanghai Trading Co. Ltd.	China	100%	100%	100%	Shekel EU S.A
Abilanx	France	60%	60%	60%	Shekel EU S.A

##### NOTE 3 - INVENTORIES:

	December 31, 2018	December 31, 2017
Raw materials	2,178	2,213
Work in process	117	223
Finished goods	908	1,089
	<u>3,203</u>	<u>3,525</u>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2018**  
**(US Dollars in thousands)**

**NOTE 4 - INTANGIBLE ASSETS:**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Internally generated capitalized development costs	1,866	1,068
Goodwill	<u>102</u>	<u>102</u>
	<u>1,968</u>	<u>1,170</u>

**NOTE 5 - LOANS:**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Long-term loans from banks	-	172
Current portion on of long-term loans from banks	-	(172)
<b>Total long-term loans</b>	<u>-</u>	<u>-</u>
Short-term loans from banks	3,969	4,039
Current portion on of long-term loans from banks	-	172
Short-term loans and current portion of long-term loans from banks	<u>3,969</u>	<u>4,211</u>
Short-term loan from related parties	1	417
<b>Total short-term loans</b>	<u>3,970</u>	<u>4,628</u>
<b>Total loans</b>	<u>3,970</u>	<u>4,628</u>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2018  
(US Dollars in thousands)**

**NOTE 6 - SHAREHOLDERS' EQUITY:**

Movement in number of shares:

	Date	Number of shares
Opening balance as at 1 January 2018	-	11,415
Shares conversion – elimination of Shekel Scales 2008 Ltd. shares	8/2018	(11,415)
Shares conversion – issuing shares in exchange of Shekel Scales shares	8/2018	110,000,000
Issuance of shares	11/2018	29,000,000
Closing balance at 31 December 2018	-	139,000,000

**NOTE 7 - COST OF REVENUES:**

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Purchase of scales and raw materials	7,376	7,355
Salary and related expenses	2,526	2,488
Vehicle maintenance	332	295
Rent and office maintenance	293	278
Depreciation	82	59
Others	62	183
Change in inventories	(322)	(172)
	<u>10,349</u>	<u>10,486</u>

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2018  
(US Dollars in thousands)**

**NOTE 8 - RESEARCH AND DEVELOPMENT EXPENSES:**

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Salary and related expenses	1,103	801
Stock based compensation	801	-
Development costs	260	150
Vehicle maintenance	180	114
Office rent and maintenance	116	-
Grant received	(9)	(153)
	<u>2,451</u>	<u>912</u>

**NOTE 9 - SELLING AND MARKETING EXPENSES:**

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Salary and related expenses	1,356	1,175
Marketing expenses	458	260
Transportation and deliveries	156	203
Travel abroad	226	182
Vehicles maintenance	170	170
Rent and office maintenance	58	64
Royalties expenses	3	2
	<u>2,427</u>	<u>2,056</u>

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**Appendix 4E Preliminary Report**

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2018  
(US Dollars in thousands)**

**NOTE 10 - GENERAL AND ADMINISTRATIVE EXPENSES:**

	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Salary and related expenses	1,195	1,016
Listing expenses	950	-
Professional fees	503	267
Rent and office maintenance	426	258
Stock based compensation	349	-
Depreciation	112	123
Management fees	187	220
Vehicles maintenance	77	68
Others	151	364
	<u>3,950</u>	<u>2,316</u>