

# SHEKEL BRAINWEIGH LTD.

## Appendix 4D

### Half-year report for the period ended June 30, 2019.

#### 1. Entity details

Name of entity:	SHEKEL BRAINWEIGH LTD. ("the consolidated entity")
ARBN:	625 669 445
Reporting period:	For the half-year ended June 30, 2019.
Previous period:	For the half-year ended June 30, 2018.

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#### 2. Results for announcement to the market

All comparisons to Previous period.

Key information	Up/Down	Change	US Dollar in thousands
Revenues from ordinary activities	Down	4.01% to	8,399
Loss from ordinary activities after tax attributable to the owners of the consolidated entity	Down	7919.23% to	(2,085)
Loss for the half-year attributable to the owners of the consolidated entity	Down	7919.23% to	(2,085)

Dividends:

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

The Loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,085,000 (For the Previous period: \$26,000).

The consolidated entity operates under two distinct business segments, the well-established, profitable, core business Shekel Scales and the newly created and separate Retail Innovation Division, which is in a stage of final development of its new products and does not generate revenues yet.

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

- \$1,661,000 invested into the Retail Innovation Division R&D, along with \$763,000 invested in Shekel scales ongoing R&D.
  - Financing expenses were at \$615,000 due to a change in IFRS16 (\$224,000) and to the exchange rate revaluation (\$194,000).
  - The entity becoming public took G&A expenses up \$520,000.
  - G&A expenses went up \$50,000 due to the change in IFRS16.
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**SHEKEL BRAINWEIGH LTD.**

**Appendix 4D**

**Half-year report for the period ended June 30, 2019.**

**3. Net tangible assets**

	<b>30 June, 2019 USD</b>	<b>30 June, 2018 USD</b>
Net tangible assets per ordinary security	<u>0.057</u>	<u>0.043</u>

**4. Audit qualification or review**

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

**5. Attachments**

The Interim Report of the consolidated entity for the half-year ended June 30, 2019 is attached.

**6. Signed**

Signed



Barak Nir  
CFO  
Tel-Aviv

Date: August 28, 2019

# **SHEKEL BRAINWEIGH LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2019**

**UNAUDITED**

## **SHEKEL BRAINWEIGH LTD.**

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

**Introduction**

We have reviewed the accompanying condensed interim consolidated statements of financial position of Shekel Brainweigh Ltd. (the "Company") as of June 30, 2019 and the related condensed interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019, and of its financial performance and its consolidated cash flows for the six month period then ended in accordance International Accounting Standard IAS 34.

Lior Shahar

Tel-Aviv, Israel  
August 28, 2019

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

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bene Berak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
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**SHEKEL BRAINWEIGH LTD.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(US Dollar in thousands)**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b><u>Unaudited</u></b>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	4,600	6,252
Short term investments	500	518
Trade accounts receivable, net	4,992	5,573
Other accounts receivable	870	639
Inventories	3,669	3,203
Loans to related parties	903	859
	<u>15,534</u>	<u>17,044</u>
<b>Non-Current Assets:</b>		
Right of use asset, net	2,264	-
Property, plant and equipment, net	514	546
Intangible assets	2,178	1,969
Deferred tax assets	276	174
	<u>5,232</u>	<u>2,689</u>
<b>Total Assets</b>	<u><u>20,766</u></u>	<u><u>19,733</u></u>

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

**SHEKEL BRAINWEIGH LTD.**

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

	<u>June 30,</u> <u>2019</u> <u>Unaudited</u>	<u>December 31,</u> <u>2018</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Short term loans and current portion of long term loans	4,172	3,970
Trade accounts payable	2,021	1,879
Other accounts payable	2,118	1,383
	<u>8,311</u>	<u>7,232</u>
<b>Non-Current Liabilities:</b>		
Lease liabilities	1,664	-
Employee benefits	240	229
Royalties payable	26	21
	<u>1,930</u>	<u>250</u>
<b>Shareholders' Equity:</b>		
<b>Equity attributable to owners of the parent:</b>		
Share capital	7,739	7,739
Foreign exchange reserve	8	8
Share based payment reserve	1,620	1,265
Retained earnings	802	2,899
	<u>10,169</u>	<u>11,911</u>
Non - controlling interest	356	340
<b>Total Shareholders' Equity</b>	<u>10,525</u>	<u>12,251</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>20,766</u>	<u>19,733</u>

  
Yoram Ben Porat  
CEO

  
Barak Nir  
CFO

August 28, 2019  
Date of approval of financial  
statements

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

**SHEKEL BRAINWEIGH LTD.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(US Dollar in thousands)

	<b>Six month period ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Revenue	8,399	8,750
Cost of sales	4,579	5,495
<b>Gross profit</b>	3,820	3,255
Research and development expenses	2,424	832
Selling and marketing expenses	869	1,133
General and administrative expenses	2,179	1,199
<b>Operating profit (loss)</b>	(1,652)	91
Finance income	59	57
Finance expense	674	108
<b>Profit (loss) before tax</b>	(2,267)	40
Tax expense (income)	(199)	54
<b>Loss for the period</b>	(2,068)	(14)
<b>Other comprehensive income (loss), net of tax:</b>		
Items that will or may be reclassified to profit or loss:		
Exchange rate differentials pursuant to translation of foreign activities	(1)	28
<b>Total comprehensive income (loss) for the period</b>	(2,069)	14
<b>Profit (Loss) for the period attributed to:</b>		
Owners of the parent	(2,085)	(26)
Non - controlling interest	17	12
	(2,068)	(14)
<b>Total comprehensive income (loss) for the period attributed to:</b>		
Owners of the parent	(2,085)	(2)
Non - controlling interest	16	16
	(2,069)	14
Basic and diluted loss per share in US dollar	\$ (0.02)	\$ (0)

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



**SHEKEL BRAINWEIGH LTD.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(US Dollar in thousands)

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

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

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

**SHEKEL BRAINWEIGH LTD.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**(US Dollar in thousands)**

**For the six month period ended June 30, 2018:**

	Equity attributable to owners of the parent					Non- controlling interest	Total Shareholders' equity
	Share capital	Foreign exchange reserve	Share based payment reserve	Retained earnings	Total		
<b>Balance at January 1, 2018</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 the period:</b>							
Profit (loss) for the period	-	-	-	(26)	(26)	12	(14)
Other comprehensive income	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>4</u>	<u>28</u>
Total comprehensive income (loss)	<u>-</u>	<u>24</u>	<u>-</u>	<u>(26)</u>	<u>(2)</u>	<u>16</u>	<u>14</u>
Share based payment	-	-	301	-	301	-	301
Interest received from loans to related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>
<b>Balance at June 30, 2018</b>	<u><u>1,796</u></u>	<u><u>25</u></u>	<u><u>301</u></u>	<u><u>4,089</u></u>	<u><u>6,211</u></u>	<u><u>319</u></u>	<u><u>6,530</u></u>

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

**SHEKEL BRAINWEIGH LTD.**

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

	<b>Six month period ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	(2,068)	(14)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	472	63
Decrease in trade accounts receivable, net	581	1,031
Increase in other accounts receivable	(231)	(565)
Increase in inventories	(466)	(439)
Increase (decrease) in trade accounts payable	(50)	177
Decrease in other accounts payable	(54)	(145)
Increase in employee benefit	11	8
Gains from short term investments	-	(7)
Share based compensation	355	301
Increase in royalties payable	5	-
Finance income charged to equity	(12)	(6)
Finance expense, net	384	105
Taxes on income	(102)	(106)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,175)</b>	<b>403</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Deposit receipt	18	-
Acquisition of Short term investments	-	(175)
Purchase of property, plant and equipment	(44)	(16)
Capitalized development costs	(16)	(342)
<b>Net cash used in investing activities</b>	<b>(42)</b>	<b>(533)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal paid on lease liabilities	(432)	-
Payment of short term loans, net	(2)	-
Repayment of long term loan	-	(149)
<b>Net cash used in financing activities</b>	<b>(434)</b>	<b>(149)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,651)</b>	<b>(279)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,252</b>	<b>1,725</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(1)</b>	<b>(217)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,600</b>	<b>1,229</b>

**SHEKEL BRAINWEIGH LTD.**

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

**APPENDIX A: NON-CASH ACTIVITIES**

	<b>Six month period ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Recognition of right of use asset and lease liabilities	419	-

**APPENDIX B: AMOUNT PAID DURING THE PERIOD:**

	<b>Six month period ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Income tax paid	106	38
Interest paid	78	66

## **SHEKEL BRAINWEIGH LTD.**

### **NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

#### **NOTE 1 - GENERAL:**

- Shekel Brainweigh Ltd. (hereinafter, the "Company") was domiciled in March, 2018 in Israel. The Company and its subsidiaries (together, the "Group") are global leader of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.
- In August 2018, Shekel Scales (2008) Ltd., the Company's subsidiary (the "Subsidiary"), entered into a share exchange agreement (the "Share Exchange Agreement") with the Company and its shareholders. According to the Share Exchange Agreement, prior to the Company's listing on the Australian Securities Exchange ("ASX"), the Company acquired 100% of the issued shares of the Subsidiary and the shareholders of the Subsidiary received shares of the Company in consideration. The comparative numbers reflect the consolidated financial statements of the Subsidiary. The current period numbers reflect the consolidated financial statements of the Group..

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

##### **Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with 2018 annual financial statements.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2018 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on January 1, 2019, and will be adopted in the 2019 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended December 31, 2019, and which have given rise to changes in the Group's accounting policies are described below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.



**SHEKEL BRAINWEIGH LTD.**

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New standard effective from January 1, 2019**

IFRS 16 Leases

Effective January 1, 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with exemptions to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing acting as a lessor.

IFRS 16 provides for certain optional practical expedients, including those related to the initial application of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for all leases.

On initial application of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space and automobiles, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 3.83%.

The right-of-use assets were measured as follows:

- (a) All leases: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

**SHEKEL BRAINWEIGH LTD.**

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New standard effective from January 1, 2019 (Cont.):**

IFRS 16 Leases (Cont.):

The following table presents the impact of applying IFRS 16 on the statement of financial position as at January 1, 2019 (Unaudited):

	<u>Under previous policy</u>	<u>The change</u>	<u>Under IFRS 16</u>
<b>Non-current assets:</b>			
Right-of-use assets	-	2,241	2,241
<b>Current liabilities:</b>			
Other accounts payable	-	(649)	(649)
<b>Non-current liability:</b>			
Long term lease liability	-	(1,592)	(1,592)

Included in profit or loss for the period are 396 of amortisation of right-of-use assets and 224 of finance expense on lease liabilities.

Significant Accounting Policies subsequent to Transition

All leases are accounted for by recognising a right-of-use asset and a lease liability.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

**SHEKEL BRAINWEIGH LTD.**

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**New standard effective from January 1, 2019 (Cont.):**

**IFRS 16 Leases (Cont.):**

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining useful life of the right of use asset, if rarely, this is judged to be shorter than the lease term. In the scenario of purchase option the Group will amortize the right of use assets over its useful life. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease the remeasurement being recognized in front of the right of use assets. The following is a reconciliation of the Company's liabilities in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental interest rate on the initial implementation date and lease commitments recognized on January 1, 2019 (Unaudited):

	<b>USD</b>
Operating lease commitments as of December 31, 2018	<u>2,556</u>
Weighted average incremental borrowing rate as of January 1, 2019	<u>3.83%</u>
<b>Lease liabilities as of January 1, 2019</b>	<u><u>2,241</u></u>

**SHEKEL BRAINWEIGH LTD.**

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

**NOTE 3 - SUBSEQUENT EVENTS:**

In July, 2019, the Subsidiary entered into a non-binding Memorandum of Understanding ("MOU") with a Company controlled by a related party, Edgify, according to which Edgify will develop a demo and a model to be integrated into a self-checkout system in one of the Subsidiary's customer stores for a live trial.

The consideration for the above will include the following:

- An amount of 100 – to be paid following successful completion of the model.
- An amount of 50 – To be paid following successful completion, delivery and run through of the demo system, utilizing the model as the starting point for the demonstration.
- An additional amount of 50 will be paid upon successful installation and integration of the system at the first client site for a live trial.