

# **SHEKEL SCALES 2008 LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2018**

**UNAUDITED**

**SHEKEL SCALES 2008 LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2018**

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**Report on review of condensed interim financial information**  
**to the shareholders of**  
**Shekel Scales 2008 Ltd.**

**Introduction**

We have reviewed the accompanying condensed interim consolidated statements of financial position of Shekel Scales 2008 Ltd. (the "Company") as of June 30, 2018 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, 2018, and of its financial performance and its consolidated cash flows for the six month period then ended in accordance International Accounting Standard IAS 34.

Tel-Aviv, Israel  
October 28, 2018

  
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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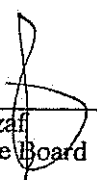
**SHEKEL SCALES 2008 LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(US Dollar in thousands)**


	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	1,229	1,725
Short term investments	512	330
Trade accounts receivable, net	4,257	5,299
Other accounts receivable	1,236	671
Inventories	3,954	3,525
	<u>11,188</u>	<u>11,550</u>
<b>Non-Current Assets:</b>		
Property, plant and equipment, net	556	603
Intangible assets	1,512	1,170
Loans to related parties	882	929
Deferred tax	310	204
	<u>3,260</u>	<u>2,906</u>
<b>Total Assets</b>	<u><u>14,448</u></u>	<u><u>14,456</u></u>

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

**SHEKEL SCALES 2008 LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(US Dollar in thousands)

	June 30, 2018 <u>Unaudited</u>	December 31, 2017
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Short term loans and current portion of long term loans	4,271	4,628
Trade accounts payable	1,571	1,394
Other accounts payable	1,847	1,992
	<u>7,689</u>	<u>8,014</u>
<b>Non-Current Liabilities:</b>		
Employee benefit	209	201
Royalties payable	20	20
	<u>229</u>	<u>221</u>
<b>Shareholders' Equity:</b>		
<b>Equity attributable to owners of the parent:</b>		
Share capital	1,796	1,796
Foreign exchange reserve	25	1
Share based payment reserve	301	-
Retained earnings	4,089	4,121
	<u>6,211</u>	<u>5,918</u>
Non - controlling interest	319	303
<b>Total Shareholders' Equity</b>	<u>6,530</u>	<u>6,221</u>
<b>Total Liabilities And Equity</b>	<u>14,448</u>	<u>14,456</u>

  
Zvi Katzaf  
Member of the Board

  
Barak Nir  
Member of the Board

October 28, 2018  
Date of approval of financial  
statements

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

**SHEKEL SCALES 2008 LTD.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(US Dollar in thousands, except for earnings per share)

	<b>Six month period ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>Unaudited</b>	
Revenues	8,750	8,626
Cost of revenues	5,495	5,162
<b>Gross profit</b>	3,255	3,464
Research and development expenses	832	430
Selling and marketing expenses	1,133	1,215
General and administrative expenses	1,199	982
<b>Operating profit</b>	91	837
Financial income	57	20
Financial expenses	108	153
<b>Profit before tax on income</b>	40	704
Tax on income	54	129
<b>Profit (loss) for the period</b>	(14)	575
<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	28	(44)
<b>Total comprehensive income for the year</b>	14	531
<b>Profit (loss) for the period attributed to:</b>		
Owners of the parent	(26)	581
Non - controlling interest	12	(6)
	(14)	575
<b>Total comprehensive income for the period attributed to:</b>		
Owners of the parent	(2)	562
Non - controlling interest	16	(31)
	14	531
Basic and diluted earnings (loss) per share in US dollar	(2.2)	50.9

The accompanying notes are an integral part of the financial statements

**SHEKEL SCALES 2008 LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(US Dollar in thousands)**

For the six month period ended June 30, 2018  
(Unaudited):

	<b>Equity attributable to owners of the parent</b>						
	<b>Share capital</b>	<b>Foreign exchange reserve</b>	<b>Share based payment reserve</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non- controlling interest</b>	<b>Total Shareholders' equity</b>
<b>Balance at January 1, 2018</b>	1,796	1	-	4,121	5,918	303	6,221
<b>Changes during the period:</b>							
Profit (loss) for the period	-	-	-	(26)	(26)	12	(14)
Other comprehensive income	-	24	-	-	24	4	28
Total comprehensive income	-	24	-	(26)	(2)	16	14
Share based compensation	-	-	301	-	301	-	301
Benefit to owners	-	-	-	(6)	(6)	-	(6)
<b>Balance at June 30, 2018</b>	1,796	25	301	4,089	6,211	319	6,530

**SHEKEL SCALES 2008 LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(US Dollar in thousands)

**Equity attributable to owners of the parent**

For the six month period ended June 30, 2017 (Unaudited):

	<b>Share capital</b>	<b>Foreign exchange reserve</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non- controlling interest</b>	<b>Total Shareholders' equity</b>
<b>Balance at January 1, 2017</b>	1,796	48	2,237	4,081	246	4,327
<b>Changes during the period:</b>						
Profit (loss) for the period	-	-	581	581	(6)	575
Other comprehensive loss	-	(19)	-	(19)	(25)	(44)
Total comprehensive income (loss)	-	(19)	581	562	(31)	531
Benefit to owners	-	-	(8)	(8)	-	(8)
<b>Balance at June 30, 2017</b>	<u>1,796</u>	<u>29</u>	<u>2,810</u>	<u>4,635</u>	<u>215</u>	<u>4,850</u>



**SHEKEL SCALES 2008 LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(US Dollar in thousands)**

	<b>Six month period ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>Unaudited</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit (loss) for the period	(14)	575
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:		
Depreciation	63	95
Decrease (increase) in trade accounts receivable, net	1,031	(597)
Decrease (increase) in other accounts receivable	(565)	86
Increase in inventories	(439)	(393)
Increase in trade accounts payable	177	299
Increase (decrease) in other accounts payable	(145)	5
Increase in employee benefit	8	70
Gains from short term investments	(7)	(8)
Share based compensation	301	-
Increase in royalties payable	-	2
Financial income charged to equity	(6)	(8)
Financial expenses, net	105	127
Taxes on income	(106)	(79)
<b>Net cash provided by operating activities</b>	<b>403</b>	<b>174</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Short term investments	(175)	-
Purchase of property, plant and equipment	(16)	(105)
Capitalized development costs	(342)	(240)
<b>Net cash used in investing activities</b>	<b>(533)</b>	<b>(345)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of long term loan	(149)	(100)
<b>Net cash used in financing activities</b>	<b>(149)</b>	<b>(100)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(217)</b>	<b>181</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(496)</b>	<b>(90)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,725</b>	<b>1,542</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,229</b>	<b>1,452</b>

**SHEKEL SCALES 2008 LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

**NOTE 1 - GENERAL:**

Shekel Scales 2008 Ltd. (hereinafter, "the Company") was domiciled in Israel. The Company and its subsidiaries (together, the "Group") is a global leader of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.

In August 2018, the Company entered into a LOI for share exchange agreement (the "Share Exchange Agreement") with Shekel Brainweigh Ltd. and its shareholders according to which, immediately prior to Shekel Brainweigh Ltd. listing on the Australian Stock Exchange ("ASX"), Shekel Brainweigh Ltd. intend to acquire 100% of the Company and the shareholders of the Company will receive a consideration shares in Shekel Brainweigh Ltd.. The Share Exchange Agreement shall take place upon conditional confirmation of Shekel Brainweigh Ltd official listing on the ASX.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The significant accounting policies followed in the preparation of the financial information, on a consistent basis, are:

**Basis of preparation**

These condensed interim consolidated financial statements have been prepared in compliance 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 the 2017 annual financial statements.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual report of the Group, except for IFRS 9 and IFRS 15.

**Share based compensation**

The Group measures the share based expense and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Monte Carlo simulation approach which takes into account the terms and conditions upon which the instruments were granted.

**SHEKEL SCALES 2008 LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

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

**New standards, interpretations and amendments effective from January 1, 2018**

IFRS 9 Financial Instruments:

The Group applies IFRS 9, "Financial Instruments" ("IFRS 9") as of 1 January 2018. IFRS 9 replaces IAS 39, "Financial Instruments: Recognition and Measurement". The adoption of IFRS 9 had no material impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The Group applies IFRS 15 ('The Standard') as of 1 January 2018. The standard supersedes other IFRS provisions relating to revenue recognition. The adoption of IFRS 15 had no impact on the Company's financial statements. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

**New IFRSs in the period prior to their adoption**

IFRS 16 Leases:

Adoption of IFRS 16 will result in the Group recognizing right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognize related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment. Instead of recognizing an operating expense for its operating lease payments, the Group will instead recognize interest on its lease liabilities and amortization on its right-of-use assets.

The amendments are effective for reporting periods (interim and annual) beginning after January 1, 2019.

The Group is currently evaluating the impact of the IFRS 16 on its consolidated financial statements, but does not expect to have material impact.

**SHEKEL SCALES 2008 LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

**NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:**

The area requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's earnings and financial position is as follows:

**Share based compensation**

The Group has a share based remuneration scheme for employees. The fair value of share options is estimated by using the Monte Carlo simulation approach, on the date of grant based on certain assumptions. Those assumptions are described in note 4. The fair value of the equity settled options granted is charged to the consolidated statement of comprehensive income over the vesting period and the credit is taken to equity.

**NOTE 4 - SHARE BASED COMPENSATION:**

In March, 2018 the Group established a share option plan (the "Plan"). Under the Plan a sum of 2,016 options for ordinary shares have been granted to employees. The options have an exercise price per share of AUD \$0.2. The vesting period varies from 1 to 4 years, which begins on the grant date. Contractual life of the options under the Plan is 10 years. The options were granted under section 102 to Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise. The total value of the granted options is 1,727.

In the six months period ended June 30, 2018, the Company recorded share based compensation expenses at the amount of 301.

	<b>Six months ended June 30, 2018</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of period	-	-
Granted	2,016	\$ 0.1481
Outstanding at end of period	2,016	\$ 0.1481
Exercisable options	-	-

**SHEKEL SCALES 2008 LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

**NOTE 5 - SUBSEQUENT EVENTS:**

**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 will acquire 100% of Goopi Ltd. The consideration for the acquisition is zero but the Company will undertake Goopi Ltd's liabilities which sum into approximately 165 thousands Euro.