ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

PAGE

CORPORATE INFORMATION

FULL NAME

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CHAIRMAN STATEMENT

CAUTIONARY STATEMENT

*This Chairman's Statement and the Business Review have been prepared solely to provide additional information to shareholders to assess B.S.D Crown Ltd's (the "**Company**" or "**BSD**") strategies and the potential for those strategies to succeed. These reports should not be relied on by any other party or for any other purpose. The Chairman's Statement and Business Review may contain certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.*

HIGHLIGHTS FOR THE PERIOD ENDING 31 DECEMBER 2014

The following sections reflect the position of the Company as at 31 December 2014 as well as several updates relating to the period from 1 January 2015 until the date of this report:

Financial Highlights

- The Company's consolidated financial statements have been prepared, in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**");

- Primary assets as at 31 December 2014:

  - approximately a 62 per cent interest in Willi-Food Investments Ltd ("**WFI**"), which operates in the import, marketing and distribution of several hundred food products (mainly in Israel) and is listed on the Tel Aviv Stock Exchange ("**TASE**") and an approximately 38 per cent direct and indirect (held through WFI) interest in G. Willi-Food International Ltd ("**WFINT**", and, together with WFI, "**Willi-Food**"), an Israeli company listed on NASDAQ, following the acquisition of additional WFINT shares subsequent to a partial exercise by the Sellers (as defined below) of the WFINT Put Option (as defined below);

  - a 95 per cent interest in Emoze Ltd, a provider of mobile push messaging and push content solutions for handset manufacturers, mobile operators and enterprises; and

  - cash and cash equivalents;

- Continued strong cash position with cash, short term deposits and financial assets of US$ 126 million, which include:

  - US$ 25 million in cash and short term bank deposits with an original maturity of three months or less from date of acquisition; and

  - US$ 54 million in short term bank deposits with an original maturity of more than three months from date of acquisition.

In order to allow for the implementation of future acquisition opportunities, the Company's main objective with respect to its cash portfolio was, and remains, the preservation of cash value and liquidity, by maintaining a conservative investment policy; and

- Revenues for the year ending 31 December 2014 totalled US$ 59 million (2013: US$1.9 million) and loss from continued operations totalled US$ 5 million (2013: a loss of US$ 3 million).

Transaction Highlights

On 2 March 2014, the Company entered into an agreement (the "**WFI Agreement**") to acquire from Zvi Williger and Joseph Williger (together with Zvi Williger, the "**Sellers**") a controlling stake in WFI, a company listed on the TASE, which then in turn owns a controlling stake in WFINT, a company listed on NASDAQ. Under the WFI Agreement, the Company: (i) acquired the Sellers' entire shareholdings in WFI, amounting, at the time of the transaction, to approximately 58 per cent of the shares of WFI (or approximately 55 per cent on a fully diluted basis); (ii) granted the Sellers a put option to sell all or some of their shares in WFINT (whether held on the date of the WFI Agreement or those which they may hold following the exercise of employee options in WFINT) which amount to approximately 7 per cent of the shares of WFINT on a fully diluted basis (the "**WFINT Put Option**"); and (iii) published a special tender offer (the "**WFI Special Tender Offer**") addressed to all shareholders of WFI (including the Sellers) in accordance with Israeli Companies Law in order to acquire additional shares carrying 5 per cent of the voting rights in WFI. The WFI Special Tender Offer was completed on 1 May 2014 and the transaction completed on 4 May 2014. Following such completion, the Company acquired in aggregate 61.65 per cent of the issued share capital of WFI (62.27 per cent of its voting rights), for aggregate consideration of NIS284.7 million (US$ 82.3 million). The acquisition of the abovementioned stake in WFI was deemed a reverse takeover under the Listing Rules (as defined below) and trading in the Company's shares was accordingly suspended on 3 March 2014. On 29 July 2014 the Company published a prospectus in connection with the requirement for it to re-apply for listing of its entire issued share capital to the standard listing segment of the Official List of the UK Listing Authority and admission to trading on London Stock Exchange Plc's main market for listed securities. The re-admission became effective on 4 August 2014.

As of 31 December 2014, the balance of goodwill allocated to the activity of importing, marketing and distributing food products by Willi-Food totalled US$ 22,556 thousand. In view of the existence of certain indicators of impairment consisting mainly of a significant decrease in the market value of the shares of WFINT as compared to the date of the Company's investment therein and the state of the Israeli food industry, the Company decided to calculate the recoverable amount of the cash-generating unit to which the goodwill was allocated, based on the DCF method and as of 31 December 2014. The recoverable amount was determined based on the value in use by an independent appraiser. Since the recoverable amount of the cash-generating unit exceeded its carrying amount, including goodwill, no impairment was recognised in respect of the goodwill. In determining the recoverable amount, the Company used the following main assumptions:

- Projected cash flows for a period of 5 years.
- Pre-tax discount rate of 13.8 per cent (10.5 per cent after taxes).
- The projected cash flows take into account an annual permanent growth rate of 2 per cent.

Below is a summary of the principal details of a previous evaluation of potential impairment of WFI goodwill conducted as of September 30, 2014.

			Details of appraiser					
The asset	Evaluation date	Value of asset	Value of asset immediately prior to evaluation date	Appraiser	Agreement to indemnify appraiser	Valuation model	Capitalization rate	Previous undertakings performed during the past three years
Value of operations of WFI for purposes of evaluating impairment of goodwill recorded in the financial statements of the Company pursuant to IAS 36	30.9.2014, signed in November 2014	The value of the operations of WFI was estimated at approx. NIS 329 million	The book value of WFI in the books of the Company was approx. NIS 285 million, of which approx. NIS 88 million accounted for goodwill	Prometheus Financial Advisory Ltd.	Indemnify for any claim, demand, allegation or other proceedings to taken against it whose grounds are derived from, or connected, directly or indirectly, with performance of the undertaking, to the extent that it will be determined that the appraiser did not act in bad faith or gross negligence and not according to accepted professional standards	Discounted cash flows method (DCF)	10.5 per cent	February 2014 - evaluation of WFI for purposes of examining the investment May 2014- allocation of excess acquisition cost (PPA) in the context of the business combination- see below for explanation of changes in the evaluation.

Below is a summary of the principal details of a previous evaluation of potential impairment of WFI goodwill conducted as of December 31, 2014.

			Details of appraiser					
The asset	Evaluation date	Value of asset	Value of asset immediately prior to evaluation date	Appraiser	Agreement to indemnify appraiser	Valuation model	Capitalization rate	Previous undertakings performed during the past three years
Value of operations of WFI for purposes of evaluating impairment of goodwill recorded in the financial statements of the Company pursuant to IAS 36	31.12.2014, signed in March 2015	The value of the operations of WFI was estimated at approx. NIS 293 million	The book value of WFI in the books of the Company stood at approx. NIS 286 million, of which approx. NIS 88 million for goodwill	Prometheus Financial Advisory Ltd.	Indemnify for any claim, demand, allegation or other proceedings to taken against it whose grounds are derived from, or connected, directly or indirectly, with performance of the undertaking, to the extent that it will be determined that the appraiser did not act in bad faith or gross	Discounted cash flows method (DCF)	10.5 per cent	February 2014- evaluation of WFI for purposes of examining the investment May 2014- allocation of excess acquisition cost (PPA) in the context of the business combination- see below for explanation of changes in the evaluation. September 2015-

					negligence and not according to accepted professional standards			Valuation of operations of WFI for purposes of evaluating impairment of goodwill - see below for explanation of changes in the evaluation

Principal changes in the assumptions and estimates pertaining to the evaluation of WFI.

	Date of examination	Revenues for 2014 NIS million	EBITDA 2014	EBITDA terminal year	Growth rates (CAGR) (2015-2018)	WACC
		NIS million				
Value of operations of WFI for the purposes of examining the impairment of goodwill recorded in the financial statements of the Company pursuant to IAS 36	31.12.2014 (signed in March 2014)	329 (actual results)	26	43	4.8 per cent	10.5 per cent
Value of operations of WFI for the purposes of examining the impairment of goodwill recorded in the financial statements of the company pursuant to IAS 36	30.9.2014 (signed in November 2014)	333	24	49	4.9 per cent	10.5 per cent
Evaluation of Willi Food Investments for purposes examining the investment	February 2014	415	50	75	4.6 per cent	10 per cent

Most of the difference in the value of the operations of WFI between the different evaluations described in the above table derives from the fact that the revenues projected for the year 2014 included in the evaluation engagement for the purposes of evaluating the investment were calculated according to the forecasts of WFI in its possession at the beginning of 2014, while the revenues presented in the evaluations of the operations of WFI for the purposes of examining the impairment of goodwill were based on the actual operating results and updated forecasts.

Shareholding Highlights

- The total number of issued shares of the Company as at 31 December 2014 was 140,578,154 of which 109,990,252 ordinary shares were outstanding, and 30,587,902 shares were held in treasury.

- On 24 December 2013 BGI Investments (1961) Ltd ("**BGI**"), an Israeli public company admitted to trading on the TASE, together with its wholly-owned indirect subsidiary (the "**BGI Group**"), published a special tender offer (the "**BSD Special Tender Offer**") to holders of the Company's ordinary shares to acquire 5 per cent of the voting rights in the Company at a price per share equal to £0.75. On 28 January 2014 the BSD Special Tender Offer was successfully completed and the BGI Group purchased an additional 5 per cent of the voting rights in the Company. Following the BSD Special Tender Offer and as at 31 December 2015, the BGI Group together with its controlling shareholder, Israel 18 B.V. ("**Israel 18**") (the "**Extended BGI Group**") (i) owned, or had the right to acquire, and (ii) had the right to vote, shares of the Company representing, approximately 44 per cent of the Company's issued share capital.

- On 24 February 2015, Israel 18 entered into a conditional loan agreement (the "**Loan Agreement**") with Zvi Williger, Joseph Williger and companies connected to them (the "**Lenders**"), pursuant to which Israel 18 will borrow a sum of NIS 83 million (the "**Loan Amount**").

  The Loan Amount shall be used for, among other things, exercising call options held by Israel 18 over 19.09 per cent of the shares of the Company. The shares acquired pursuant to the exercise of such call options will be transferred to Orot Israel 18 Ltd ("**Orot Israel**"), a wholly owned subsidiary of Israel 180 Ltd ("**Israel 180**") (which is itself a wholly owned subsidiary of Israel 18). The Loan Amount will be made available subject to fulfilment of certain conditions precedent which are being discussed between the parties to the Loan Agreement.

  Subject to Israel 18's right to make early repayment of the Loan Amount upon 90 days' prior notice, the Loan Amount will have a maturity period of two (2) years from 26 February, 2015 and will accrue interest at a rate of ten per cent (10 per cent) per annum, payable quarterly in advance.

  As security for the Loan Amount, Israel 18 has agreed to pledge its holdings in Israel 180, Israel 180 has agreed to pledge its holdings in Orot Israel and Orot Israel has agreed to pledge its holdings in BGI and in the Company (together, the "**Security**").

  Subject to a grace period of 30 days, acceleration of the Loan Amount will be available to the Lenders upon, among others, any of the following conditions not continuing to be met:

  - the Company having at least US$ 35 million of cash available;
  - WFI having at least NIS 250 million of tangible capital (as per the terms of the loan agreement); and
  - the management of the food business of WFI and/or WFINT and/or its subsidiaries, being vested solely with Zvi Williger and Joseph Williger and companies owned by them according to their contracts with the Company, dated March 2, 2014 (the "**Purchase Agreement**"), in the same manner as it was conducted immediately after the closing of the Purchase Agreement and in accordance with the terms thereof.

  On 24 February, 2015, Public Joint Stock Company Alfa Bank ("**Alfa**"), a Ukrainian banking entity, submitted a request to the Tel Aviv District Court (the "**Court**") to attach certain assets as well as direct and indirect holdings of the Company's ultimate controlling shareholder, Alexander Granovsky. This request was submitted as part of a claim filed by Alfa against Mr Granovsky and others with respect to alleged debts owing by them to Alfa. The defendants have yet to file a statement of defence in said claim.

  Following hearings in this respect, the Court handed down judgment partially in Alfa's favour on 22 March, 2015 and decided that, inter alia, subject to the condition set out below:

  - Mr Granovsky, Israel 18, Israel 180 and Orot Israel may not dispose or otherwise grant security over any of their holdings respectively, including their direct holdings in the Company pending final judgment of the Court;
  - the Loan Amount shall remain in escrow pending final judgment of the Court; and

- pending a further hearing, the parties to the dispute should disclose all relevant documentation giving rise to rights in the capital or payment of monies owing by Mr Granovsky or his direct and indirect holdings in Israel.

The orders above shall lapse upon failure by Alfa to provide an autonomous bank guarantee from an Israeli bank by no later than 2 April 2015 at 12.pm (Israeli time) in an amount of thirty million New Israeli Shekels (NIS 30 million) in escrow as guarantee to cover any damages to third parties which may be affected by such orders should Alfa's claim ultimately fail. Alfa, following receipt of Alexander Granovsky's consent, has requested that the Court extend the date by which such guarantee is to be provided until 8 April 2015.

Other Highlights

- Following the Company's Annual General Meeting on 3 July 2014, the Israeli Companies Registrar approved the change of the Company's name from Emblaze Ltd to B.S.D Crown Ltd and, on 12 August 2014 the Company's new name became effective on the London Stock Exchange. Accordingly, the Company's TIDM (ticker symbol) also changed to BSD.

- Following the Company's Extraordinary General Meeting held 19 January 2015, the Company appointed Brightman Almagor Zohar & Co (part of Deloitte Touche Tohmatsu Limited) as its independent auditor.

BUSINESS REVIEW

This Business Review is designed to provide a fair review of the business of the Company during the financial period ended 31 December 2014 as well as several updates relating to the period from 1 January 2015 until the date of this report. It has been prepared for the Company as a whole and therefore gives greater emphasis to those matters which are significant to the Company and to its subsidiary undertakings when viewed as a whole. A description of the principal risks and uncertainties facing the Company can be found at the end of this section.

The Company was incorporated in Israel on 19 January 1994. We maintain our principal executive offices at 132 Menachem Begin Road, Azrieli Centre, Triangle Tower (40th floor), Tel Aviv 6702301, Israel and our telephone number is +972 (3) 740 1770. BSD completed the initial public offering of its ordinary shares on the alternative investment market of the London Stock Exchange in October 1996 and thereafter completed a listing on the Official List of the London Stock Exchange in 1998.

CORPORATE

On 24 December 2013 the BGI Group published the BSD Special Tender Offer to holders of the Company's ordinary shares to acquire 5 per cent of the voting rights in the Company at a price per share equal to £0.75. On 28 January 2014 the BSD Special Tender Offer was successfully completed and the BGI Group purchased an additional 5 per cent of the voting rights in the Company. Following the BSD Special Tender Offer and as at 31 December 2014, the Extended BGI Group (i) owned, or had the right to acquire, and (ii) had the right to vote, shares of the Company representing approximately 44 per cent of the Company's issued share capital.

ACQUISITION OF WFI

On 2 March 2014, the Company entered into the WFI Agreement to acquire from the Sellers a controlling stake in WFI. Under the WFI Agreement, the Company: (i) acquired the Sellers' entire shareholdings in WFI, amounting, at the time of the transaction, to approximately 58 per cent of the shares of WFI (or approximately 55 per cent on a fully diluted basis); (ii) granted the Sellers the WFINT Put Option; and (iii) published the WFI Special Tender Offer. The WFI Special Tender Offer was completed on 1 May 2014 and the transaction completed on 4 May 2014. Following such completion, the Company acquired in aggregate 61.65 per cent of the issued share capital of WFI (62.27 per cent of its voting rights), for aggregate consideration of NIS284.7 million (US$ 82.3 million). The acquisition of the abovementioned stake in WFI was deemed a reverse takeover under the Listing Rules (as defined below) and trading in the Company's shares was accordingly suspended on 3 March 2014. On 29 July 2014 the Company published a prospectus in connection with the requirement for it to re-apply for listing of its entire issued share capital to the standard listing segment of the Official List of the UK Listing Authority and admission to trading on London Stock Exchange Plc's main market for listed securities. The re-admission became effective on 4 August 2014.

Willi-Food is engaged, directly and through subsidiaries, in the development, import, export, marketing and distribution of a wide variety of over 600 food products world-wide. Most of Willi-Food’s sales are made in Israel with widespread demand in the Israeli marketplace. It also has a line of products which cater to more select groups. Willi-Food purchases food products from over 150 suppliers located in Israel and throughout the world, including from the Far East (China, India, the Philippines and Thailand), Ethiopia, Eastern Europe (Poland, Lithuania, Bulgaria and Latvia), South America (Ecuador and Costa Rica), the United States, Canada, Western and Central Europe (the Netherlands, Belgium, Monaco, Germany, Sweden, Switzerland, Denmark, and France) and Southern Europe (Spain, Portugal, Italy, Turkey, Greece). Willi-Food's products are marketed and sold to approximately 1,500 customers in Israel and worldwide (for example, to the United States, the United Kingdom and France), including to supermarket chains, wholesalers and institutional consumers (however its current operations outside Israel are small in comparison to its Israeli operations). Most of the products that Willi-Food imports and markets are approved as kosher by, or under the supervision of, various religious (Jewish) supervisory institutions.

Willi-Food markets the majority of its products under the trademarks "Willi-Food" and "Gold Frost" (certain products are marketed under brand names of other manufacturers or under other brand names). The "Willi-Food" trade mark was approved for registration in Israel in May 1997 for certain uses relating to the food industry and in 2001 its validity was extended until 2015. The "Gold-Frost" trade mark was registered in Israel in February 2002 and expires in 2022. Willi-Food expects to obtain further extensions of such trademarks through future applications to the Israel Patent Office.

The two largest product lines by sales for the year ended 31 December 2014 were dairy and dairy substitute products (26 per cent) and canned vegetables (17 per cent).

In the year ended 31 December 2014, the WFI Group generated revenues of US$ 58 million (2013: US$93.3 million).

Total cash and cash equivalents, short term deposits and financial assets for the WFI Group as at 31 December, 2014 stood at US$ 74 million. Total revenues from WFI for the year ending 31 December, 2014 stood at US$ 58 million and total income from operations for the year ending 31 December, 2014 stood at US$ 2 million.

The Company is actively involved in the management of Willi-Food. Through such involvement, the Company hopes to be able to improve the results and profitability of Willi-Food, thereby creating value for the Company and its shareholders.

BUSINESS OPPORTUNITIES

The Company's management team is determined to change the Company's past business trajectory and to continue to actively seek to utilise the Company's resources in order to maximise value for its shareholders.

The Company intends to further explore business opportunities in various sectors. In this regard, the Company intends to continue to acquire control of suitable businesses or to establish (whether by itself or together with joint venture partners) businesses in which the management of the Company would be actively involved. Such opportunities will generally be businesses which:

- generate revenue from ongoing operations;
- offer potential for growth; and
- are managed by professional and experienced management.

The Company will continue to be involved in the management of these businesses through the appointment of its representatives as directors of these businesses, involvement in the appointment of their key executives and maintaining ongoing communication with their management.

The Company would seek to finance such transactions by a combination of equity and external debt.

INTELLECTUAL PROPERTY

Apple Inc.

In July 2010, BSD filed a complaint in the Federal Court of Northern California (in San Jose), USA, against Apple Inc. ("**Apple**") for infringement of the Company's U.S. Patent No. 6,389,473 for media streaming technology (the "**Patent**") through Apple's HTTP Live Streaming protocol used in Apple products.

On 11 July 2014, the jury reached its verdict in the Company's suit for patent infringement brought against Apple. The jury found that the Patent is valid, but also found that Apple did not infringe the Patent.

On 8 August 2014, the Company filed motions with the original judge hearing the claim (i) for a judgment as a matter of law ("**JMOL**") that, contrary to the jury's verdict of 11 July, 2014, the Company's Patent was infringed; or, alternatively, (ii) for a new trial.

On the same day, Apple filed a JMOL which provided that, if the court granted the JMOL filed by BSD or the application for new trial filed by BSD, then Apple would request that the court grant a JMOL that the asserted claims of the Patent are invalid and/or grant a new trial on the invalidity of the asserted claims. The court hearing regarding BSD's and Apple's respective JMOL's was held on 9 December 2014.

On 29 January 2015, the United States District Court for the Northern District of California, San Jose Division, issued an order (the "**Order**") denying the Company's motion for a JMOL or, alternatively, for a new trial. Apple's motion for JMOL, which was submitted conditionally upon the success of the Company's motions, was denied as well by the court.

On 25 February 2015 the Company filed an appeal with United States Court of Appeals for the Federal Circuit in respect of the Order and the jury verdict entered on 11 July 2014. On 2 March 2015 Apple. filed an appeal against the Order and the finding in respect of the validity of the Company's patent subject of the litigation.

Microsoft Corporation

In October 2012, the Company filed a complaint with the US District Court for the Northern District of California for patent infringement against Microsoft Corporation ("**Microsoft**"). The complaint asserts that Microsoft's IIS Smooth Streaming system infringes the Patent. Microsoft has been using this technology to allow devices running on Windows 7 OS and Windows Phone 7 OS (and above) to view live streaming multimedia content; Microsoft has also been using the technology to provide the Windows Azure Media services (Cloud services).

Having invested substantial resources over the years, research and development efforts to build a rich portfolio of intellectual property, BSD will continue to protect its rights against infringements and defend its competitive position.

In 2014, as part of the claims filed against Microsoft and Apple, the Company recorded expenses relating to administration of the claims, legal and other advisors. Some of the Company's commitments relating to the payment of contingent fees in connection with the aforementioned claims depend on the outcome of the proceedings and such contingent fees are expected to amount to a substantial portion of any proceeds received from the claims. Due to the uncertainty regarding the successful outcome of such claims, no receivable has been recorded in the financial statements regarding these claims.

The Company also sustains additional infringements of its IP and the pursuit against such infringements may be furthered into formal complaints.

PREVAILING LITIGATION

A. The Company and some of its past directors and officers were named as defendants in three separate claims (one of which was settled in 2013), all in the context with the bankruptcy of Mr Eli Reifman, one of the founders and a former director of the Company. As part of his fiduciary and regulatory obligations, Mr Reifman was required to timely report to the Company of changes in his shareholding. All reports of Mr Reifman were duly reflected in the Company's reports, respectively. Mr Reifman's creditors assert reliance on information provided by the Company with respect to his shareholdings as reported by him to the Company. Some of the claims were directed at the Company, and some also named some of its past directors and officers as defendants as follows:

1. In April, 2012, two of Mr Reifman's creditors filed a claim against their attorneys that represented them in their transaction with Mr Reifman, alleging malpractice, negligence and failure by their attorneys to properly secure their loans to Mr Reifman (the "**April 2012 Claim**"). As part of this claim, the two creditors have also named BSD, and some of its past directors and officers, as well as the Company's external legal advisor and auditors, as defendants for sake of prudence. The claim was for a sum of NIS73.3 million (approximately GBP 12 million as of 31 December 2014). Defence was filed in August 2012. The claim was referred by the court to mediation between the various parties. The Company alerted the directors & officers liability insurance provider in relation to this matter.

2. In June 2012, several other creditors of Mr Reifman filed a claim against BSD, some of its past directors and officers as well as against its external legal advisor and auditors (the "**June 2012 Claim**"). The claim was for a sum of NIS 86.6 million (approximately GBP 14 million as of 31 December 2014). Defence was filed in October 2012. In June, 2013 the District Court has accepted in-part the request for dismissal filed by the Company and some of its past directors and officers. The District Court dismissed the claim with respect to two of the claimants, thus reducing the total sum of the claim to NIS 81.8 million (approximately GBP 13.5 million as of 31 December 2014). The Company alerted the directors & officers liability insurance provider in relation to this matter.

3. In November 2012, two creditors of Mr Reifman filed a claim for NIS 30 million (approximately GBP 5 million as at 31 December 2014) against the attorneys involved in their transactions with Mr Reifman. Those attorneys submitted a third-party notification against numerous parties that were involved in the transaction, as well as against BSD and some of its past directors and officers, asserting that they are to be indemnified in the event that the claim is successfully brought against them. The third party claim is for a sum of NIS 7.6 million (approximately GBP 1.3 million as at 31 December 2014). In addition, on 25 December 2012, said attorneys filed also an application to join the Company as one of the defendants in the clam filed against them. Defence was filed in January 2013. In October 2014, the Company was informed that the aggregate amount claimed from the Company and said past-directors was updated to NIS 22.4 million (approximately GBP 3.7 million as at 31 December 2014). Defence was filed in January, 2015.

In October 2014, the Company entered into agreements to settle the April 2012 Claim and the June 2012 Claim (the "**Settlement Agreements**"). Pursuant to the Settlement Agreements, following contributions from the Company's directors & officers liability insurers, the Company agreed to pay (without admitting to any legal liability): (i) an amount of NIS 1.975 million (approximately GBP 0.3 million as at 31 December 2014) in consideration of the full and final settlement of the April 2012 Claim; and (ii) an amount of NIS 4.2 million (approximately GBP 0.7 million as at 31 December 2014) in consideration of the full and final settlement of claims representing NIS 69.9 (approximately GBP 11.6 million as at 31 December 2014) out of the June 2012 Claim.

Following the entry by the Company into the Settlement Agreements and the increased claim described in paragraph 3 above, the outstanding amounts pursuant to claims filed against the Company in respect of Mr Reifman amount to approximately NIS 30 million (approximately GBP 5 million as at 31 December 2014). While the claim mentioned in paragraph 3 above is still in preliminary stages, the Company's legal advisors are of the opinion that the risks of success of these outstanding claims against the Company are remote. The Company alerted the directors & officers liability insurance provider in relation to this matter.

At the request of the administrator for Mr Reifman's bankruptcy (who was later appointed as the trustee to Mr Reifman's bankruptcy), the Tel Aviv District court issued an ex-parte temporary injunction on 6 September 2010, ordering the Company to withhold 27.75 per cent of any dividend the Company may decide to distribute. Following an appeal filed by the Company, the Israeli Supreme Court cancelled the injunction on 29 November 2010 and limited the Company's responsibility only to make a timely notification if it decided to distribute dividends. Following the entry by the Company into the Settlement Agreements, the Company filed a request to cancel the requirement to provide such notification.

B. Emblaze Mobility Solutions Limited ("**EMSL**"), the Company's subsidiary, was involved in a dispute with HM Revenue & Customs ("**HMRC**") regarding a decision made by HMRC to withhold Global Telecom Distribution Plc. ("**GTD**") of approximately £ 8.8 million (which is an equivalent of US$ 13,719 thousand as at 31 December 2014) and to raise assessments against GTD of £345,000 (equivalent to US$ 537 thousand as at 31 December 2014). These actions taken by HMRC were not specifically targeted at GTD but, rather, represent a part of the general measures applied by HMRC in controlling VAT fraud exposed within the wider mobile telephone handset sector in which GTD had operated.

As a result of the action taken by HMRC, GTD ceased its business activities and an Administrative Receiver was appointed over GTD in May 2007. In 2010, the First-Tier (Tax) Tribunal ruled in favor of EMSL and ordered HMRC to pay EMSL net withheld VAT input tax of £8.44 million. HMRC did not appeal the First-tier Tribunal order but did not pay EMSL as ordered. In 2011, EMSL therefore filed on Application for Judicial Review in the High Court of Justice to receive payment ordered by the Tribunal but not paid by HMRC. In July 2011, the High Court of Justice ordered HMRC to make an immediate payment of the undisputed VAT reclaims, which the Company received. The Company recorded US$ 4,114 thousand as other income, net of related expenses, in 2011. In May 2012, the High Court of Justice also ordered that HMRC pay EMSL the balance of sums withheld by HMRC of approximately £ 1.5 million (which was an equivalent of US$ 2,400 thousand). As a result, the Company recorded US$ 2,020 thousand as other income, net of related expenses, in 2012. EMSL thereafter pursued a separate legal action against HMRC's decision not to pay to EMSL interest on the VAT sums successfully recovered. The Tribunal ruled in favor of EMSL in this case, on 15 July 2014. In October 2014, EMSL received interest from HMRC of approximately £ 0.7 million (US$ 1.2 million) net of estimated expenses. This net income included in the financial statements for the period ending 31 December 2014.

Legal proceedings are still ongoing in relation to EMSL's claim for costs and a claim for an award of interest at a compound rate.

C. In December 2013 and December 2014, two claims and requests to approve them as class actions under the Israel Class Actions Law, 2006 were filed against WFI for alleged unlawful labelling of products imported and sold by WFI in a way that allegedly misleads consumers. The plaintiffs seek to represent every resident of the State of Israel who purchased the relevant WFI products. The amount of claims, if approved as class actions, was estimated by the plaintiff at approximately NIS 29.5 million (approximately US$ 7.6 million). Considering the preliminary stage of the claims, WFI, based the opinion of its legal advisors, cannot assess the risk inherited therein and, accordingly, no provision has been made in the financial statements.

D. In May 2013, the Municipality of Yavneh sent an amended municipal tax assessment to WFI for the year of 2013, according to which the area of its logistical centre was increased and its classification was changed (hereafter in this subsection, the “Amended Municipal Tax Assessment”). The additional annual charge embodied in the Amended Municipal Tax Assessment is the amount of approximately NIS 160 thousand per year (approximately US$ 41 thousand). Moreover, the municipality sent a retroactive charge to WFI with respect to the years 2008-2012. In the estimation of the legal counsel of WFI, WFI possesses a high probability of causing the cancellation of the amended municipal tax assessment and the retroactive charge and, therefore, no provision was made in its financial statements.

E. In October 2013, WFI presented a claim to the Magistrate Court in Rishon Le’Zion against the Customs and Value Added Tax Department of the State of Israel, in which it claimed that the court declare as void a charge issued by the Central Customs House to WFI, in which it was alleged that WFI did not add costs to food shipments for customs purposes that it had incurred for purposes of providing kosher certification to food products. The amount of the customs demanded in the notice of charge is approximately NIS 150 thousand (approximately US$ 39 thousand) for the seven years preceding the notice of charge. In the estimation of the legal counsel of WFI, WFI has a marginal probability to cause the cancellation of the notice of charge, and it, therefore, made a partial provision in its financial statements.

F. In August 2014, the Ashdod Customs House sent a notice of charge to a subsidiary of WFI in which it was laconically alleged that goods imported by the subsidiary of WFI were classified with an erroneous classification. The amount of the customs demanded in the notice of charge is approximately NIS 1.9 million (approximately US$ 0.5 million). In the estimation of the legal counsel of the subsidiary of WFI, in reliance on documents and facts presented to the Ashdod Customs House, the subsidiary of WFI possesses a high probability of causing the cancellation of the notice of charge and, therefore, no provision was made in its financial statements.

EMOZE LTD

Emoze Ltd ("**EMOZE**"), a 95 per cent subsidiary of BSD, is a provider of transparent, synchronised mobile push messaging and push content solutions for handset manufactures, mobile operators and enterprises. EMOZE supports all major email providers, instant messaging services and social networks. EMOZE push messaging solution is based on EMOZE patented technology and provides real push experience combined with an efficient mechanism, minimizing both data traffic and battery consumption to all mobile devices (feature-phones and smart-phones). EMOZE architecture is based on reliable, redundant scalable server-technology that offers a low TCO and quick-to-market deployment.

The research and development of technology for advanced wireless and cellular solutions and products is a highly competitive market. In particular, the development of the mobile software and information technology industries has seen the entrance to this market of new developers, manufacturers and operating system providers, creating intense competition in a relatively short period of time.

However, EMOZE has a record of developing new products based on BSD technology and EMOZE reached the final stage of development. In this respect, REALIFY is a new application available for Smartphone devices allowing the user to create his own social TV broadcasting channel on the go. This application is available for Smartphone users (Google play store & Apple store).

During 2014, adverse market conditions had a negative impact on EMOZE’s business resulting in the number of new customer engagements, the amount of their initial commitments under those engagements and the number of purchases decreasing.

In the year ended 31 December 2014, the mobile technology division of the Group generated US$ 0.3 million in revenues (GBP 0.05 as at 31 December 2014) (2013: US$ 1.9 million (GBP 0.3 million as at 31 December 2014)).

New opportunities for the Group in this market are limited and consequently the new management team has decided to pursue a new acquisition strategy in other sectors.

RISK MANAGEMENT

The primary focus areas of the board of directors of the Company (the “**Board**”) include reviewing key risks and uncertainties that it considers to be strategic, operational and financial risks and identifying actions to manage and mitigate those risks. Pursuant to the requirements of the Disclosure and Transparency Rules, the Company provides the following information on its principal risks and uncertainties:

RISKS RELATING TO THE GROUP

1. External risks

The BSD group and its subsidiaries (the "**Group**") are subject to a number of external risks. The Group defines external risks as those arising from factors that are mainly outside of its control. These risks often result from the nature of the Group’s businesses and the industries in which they operate.

1.1 ***Risks associated with changes in customer and health protection, legal and regulatory frameworks***

The Group is subject to extensive regulation, both secular and religious, in Israel and in other countries, in which it and its suppliers are operating, as well as in the countries where its customers are located. These regulations include, inter alia, regulations related to stock exchange requirements, customer and health protection, licensing, tariffs, kosher certification and import/export (quota) policies.

Therefore, changes in any customer and health protection regulations, legal (from both religious and secular perspectives) and regulatory frameworks may affect various areas of the Group's activities, including importation and transportation of products, storage, distribution and sale of products to customers, marketing, labelling and packaging of food products and the eligibility of the products for kosher certification. Accordingly, such changes may increase the Group’s administrative or regulatory compliance costs and in the event that the Group should breach any such regulations, it may incur financial penalties and sanctions such as the withdrawal or recall of products, which may have material and adverse effects on the Group's brands, its reputation, performance and financial situation.

The Ministry of Trade and Industry or the Ministry of Finance of the State of Israel may increase the tariff levels for importing goods, which would have a direct impact on the Company and its financial performance.

1.2 ***Risks associated with changes in the global economy and consumer demand***

The Group’s businesses are at risk from changes in the global economy and consumer demand for its products.

Negative prospects for the global economy may affect demand for the Group’s products. Deterioration in the economic situation in Israel may erode the purchasing power of potential consumers and, consequently, the Group may sell fewer products which will have an impact on the Group’s financial results.

The cost of food commodities and other food products is cyclical and subject to market factors which may fluctuate significantly. As a result, the cost to the Group in securing these products is subject to substantial increases over which the Group has no control. In addition, fuel costs, which represent the most significant factor affecting both utility costs at the Group’s facilities and its transportation costs, are subject to significant fluctuations. The Group may not be able to pass on to customers the increased costs associated with the procurement of these products and fuel. Moreover, there has in the past been, and there may in the future be, a delay between incurring such increased costs and passing on such increases to customers. To the extent that increases in the prices of the Group’s products cannot be passed on to customers, or there is a delay in doing so, the Group is likely to experience an increase in its costs which may materially reduce the Group’s profitability.

Further, there is a delay between the time the Group purchases (or commits to purchase) products from its suppliers until the time the Group sells such products to its customers. Consequently, to the extent that the selling price for goods already purchased (or committed to purchase) decreases during that time, the Group’s profitability may be materially reduced.

The Group’s success depends on its ability to anticipate the tastes and eating habits of consumers and to offer products suiting their preferences. Consumer preferences change from time to time and the Group's failure to anticipate, identify or react to these changes, the failure to anticipate the tastes and eating habits of consumers generally or the cost of innovation in relation to new products which do not prove popular may result in a reduction of the attraction and potential selling price of the Group’s products and/or affect the results and profitability of the Group. Moreover, the Group has to cope with the unpredictability of consumer demand.

1.3 ***Credit and market risks***

The Group is exposed to credit risk concentrations since its cash is held in various financial institutions and each of these institutions bears its own credit risk. The Group’s cash preservation methods include utilising cash and cash equivalents, short-term deposits and marketable securities (debentures) held in several Israeli and international financial institutions. The Group’s policy is to spread its cash investments among various financial institutions whilst maintaining sufficient cash on deposit to meet its ongoing working capital requirements. Pursuant to the Group's treasury policies, assessments are made on an ongoing basis regarding the relative credit strength of the various financial institutions in which the Group’s cash is deposited and the Group currently maintains the majority of its cash deposits with banking institutions which are either rated B or BBB. However, there can be no certainty of the ongoing solvency of any such financial institutions and in the event that any such a financial institutions became insolvent; this may have a material impact on the financial strength of the Group.

With regard to investing cash reserves, the Group holds a portfolio of marketable securities traded on the TASE and international stock exchanges. This portfolio of marketable securities is subject to various market risks resulting from fluctuations in interest rates and foreign currency, exchange rates, price fluctuations and other market risks in Israel and abroad.

A further credit risk to the Group is the risk that customers may default on their payment obligations, which would result in a financial loss to the Group. Such loss may have an adverse effect of the Group’s financial position.

1.4 ***Foreign exchange risks***

The Group is exposed to fluctuations in the rates of the US Dollar, the Euro and the New Israeli Shekel as against each other. A significant movement in one of these currencies against another could have a material adverse effect on Willi-Food’s results of operations and financial condition.

1.5 Competition risks

The food distribution business in Israel is highly competitive. The food market in Israel is very price sensitive, barriers to entry in the food market are low and new potential competitors are constantly joining the market.

The Group's major competitors, which include international global brands, are more established than Willi-Food, benefit from greater market and brand recognition and have greater financial and marketing resources and a larger workforce. Competition to obtain shelf space for the Group's branded products with retailers is primarily based on the performance of the Group's product sales relative to its competitors.

The Group faces direct competition from both local manufacturers and wholesalers, as well as from a number of existing importers of food products. Local manufacturers are not subject to the financial risks of importing food products or to governmental policies regarding taxation of imported food products to which the Group is subject.

Competitive pressures could cause the Group to lose market share, which may require it to lower prices, increase marketing expenditures, and/or increase the use of discounting or promotional programmes, each of which would adversely affect profit margins and could result in a decrease in the Group's operating results and profitability.

In addition, in the event the Group further expands its activity in the international food markets, the Group will also face similar competitive issues to those set out above from manufacturers and/or distributors in those locations.

1.6 Risks associated with new Israeli anti-concentration legislation

The Law to Promote Competition and Reduce Concentration, 5774-2013 (the "**Concentration Law**") was adopted by the Israeli parliament in December 2013, and may influence the Group's operations. The most relevant feature of the Concentration Law from the Group's perspective is the prohibition on 'pyramid' company structures (being multi-tiered corporate holding structures) which include more than two companies listed on the TASE.

The Concentration Law may impact on the Group's ability to pursue its strategy to the extent that any further proposed acquisition is of an Israeli public or listed company and, as such, this may therefore impact on the Group's prospects.

1.7 Risks associated with the protection of intellectual property rights

The Group seeks to maintain the efficient protection of its intellectual property rights so as to maintain the respective competitive position of its members. Although the Group has registered trademarks for a number of its brands, including "Willi-Food" and "Gold Frost", there can be no assurance as to the degree of protection that the registration of the Group's trademarks will afford or that the Group's competitors will not infringe the Group's rights.

1.8 Political risks

The Group's businesses are at risk from political and military conditions.

The principal companies of the Group are incorporated under the laws of Israel, its principal offices are located in Israel and some of the Group's officers, employees and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel have a direct influence on the Group. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbours. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could materially and adversely affect the Group's operations. During the summer of 2014, Israel was engaged in an armed conflict with Hamas, a militia group and political party operating in the Gaza Strip. This conflict involved missile strikes by Hamas against civilian targets in various parts of Israel which negatively affected business conditions in Israel. Ongoing or revived hostilities related to Israel may have a material adverse effect on the Group's business. The recent revolutions and political uncertainty in surrounding countries, including Egypt and Syria, are affecting the political stability of those countries. This instability may lead to deterioration of the political relationships that exist between Israel and these countries, and have raised concerns regarding security in the wider region and the potential for armed conflict.

Many of the Group's executive officers and employees in Israel are obliged to perform annual military reserve duty in the Israeli Defence Forces and, in addition, may be called to active duty under emergency circumstances at any time. If the current military conflict continues, or a war arises, these individuals could be required to serve in the military for extended periods of time. The Group's operations could be disrupted by the absence for a significant period of one or more of its executive officers or key employees or a significant number of the Group's other employees due to reserve duty. Any disruption in the Group's operations may have a material adverse effect on the Group's business.

The Group's commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Any losses or damages incurred by the Group could have a material adverse effect on its business.

From time to time, pro-Arab organisations in various locations around the world promote local boycotts of products from Israel. Prompted by political, religious or other factors, these and other restrictive laws or policies directed towards Israel and Israeli businesses may affect the Group's financial condition and results of operations.

2. **Internal risks**

Internal risks are those arising from factors primarily within the control of the Group or its businesses, including those that result from the corporate structure of the Group and its businesses and the way each carries on its business.

2.1 ***Risks associated with future acquisitions***

As part of the Group's business strategy, it has made and may continue to consider making acquisitions in line with its stated strategy in order to maximise shareholder value. Any such acquisition may involve legal and economic risks and may lead to a loss of value and higher capital expenditure. The Group may also encounter risks in the integration of any acquired business (including their employees) and may not generate the anticipated returns from such acquisitions. Human resources issues may arise from acquisitions and the financial results of the Group might be significantly affected by the failure to effectively integrate and manage any acquired companies.

2.2 ***Risks associated with legal proceedings***

The Group is exposed to legal and financial risks from existing legal disputes and proceedings brought by, amongst others, former employees, directors and customers of the Group to which members of the Group are parties. The Group is, and may in the future be, subject to litigation in the ordinary course of its operations. If such litigation results in fines, payments or damages, or causes reputational damage to the Group or its brand, the Group's business could be materially adversely affected. Significant claims or a substantial number of small claims may also be expensive to defend and may divert time and money away from the Group's operations, which could disrupt the Group's operations and have a material adverse effect on the Group's results and/or financial condition.

2.3 ***Risk associated with the availability of key people***

The activities of key people may affect the Group's business. The Group benefits from the activities of certain key people such as Mr Zvi Williger and Mr Joseph Williger. There is no key-man insurance policy in place for any Group member. The loss of any such person could harm or delay the plans of the Group either whilst management time is directed to finding suitable replacements (who, in any event, may not be available to the Group) or, if not, covering such vacancy until suitable replacements can be found. In either case, this may have a material adverse effect on the future of the Group's business.

2.4 ***Risks associated with business continuity***

Willi-Food stores most of its products in one main logistics centre warehouse situated in Yavne, Israel. Any interruption to this storage facility, whether by power failure, flooding (including in connection with any hostilities referred to above) or such other event, may have a material adverse impact on the Group's business.

Willi-Food imports the majority of its food products. Consequently, any disruption to the Israeli transport network through industrial action or otherwise may have a material impact on the Willi-Food's ability to source its food products which in turn may affect the Group's financial position and prospects.

The Group holds inventory of basic foodstuffs and other food products based on its expectations of the consumption of these products by its customers. If actual consumption does not meet predictions and the shelf-life of such products expires or the Group cannot otherwise sell such products, there may be material and adverse effects on the Group's reputation. On the other hand, to the extent that the Group does not have adequate inventory of these critical products (due, for example, to an emergency situation or a failure to anticipate the rate of consumption of such products), the Group may not be able to meet the needs of its customers which may adversely affect the Group's potential revenues and its reputation.

2.5 ***Risks associated with product liability claims for misbranded, adulterated, contaminated or spoiled food products***

The Group sells food products for human consumption, which involves risks such as product contamination or spoilage, misbranding, product tampering and mishandling and other adulteration of food products. Consumption of a contaminated, spoiled, misbranded, tampered with, mishandled or adulterated product may result in personal illness or injury. The Group could be subject to claims or litigation relating to an actual or alleged illness or injury, and the Group could incur liabilities that are not insured or that exceed its insurance coverage.

A product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals, product recalls, destruction of product inventory, negative publicity and damage to the

Group's brands and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against the Group, could result in a loss of confidence in its food products, which could have an adverse effect on the Group's brands, its financial performance, reputation and future prospects.

2.6 ***Risks associated with the Group's dependence on a limited number of suppliers***

Although, in general, the Group works with a broad range of suppliers, in the dairy and dairy substitute sector the Group is dependent on a limited number of suppliers and termination of the engagement with its main supplier, as described below, or a material change in the engagement terms for purchasing products from such supplier may have a material adverse effect on the Group's results or operations.

The Group has a distribution agreement with Arla Foods Amba ("**Arla**"). The Group serves as Arla's sole and exclusive agent and distributor in Israel of certain products for a ten-year period from March 2005, renewable for an additional five-year period unless terminated by either party. There is no guarantee that Arla will agree to renew such agreement or that any renewal will be on terms agreeable to the Group (including as to duration).

Furthermore, Arla has the right to terminate the agreement on three months' notice in certain circumstances, including on the death or permanent incapacity of Zvi Williger or on his ceasing to be involved in Willi-Food's business, or if Willi-Food fails to satisfy the minimum purchase requirements under the agreement. If the agreement is terminated by Arla, this may have a material adverse effect on the Group's ability to source dairy and dairy substitute products and therefore on the Group's financial performance and prospects.

Dependency on a limited number of major suppliers also increases the risk for the Company. Should any force majeure event affect any of the limited number of major suppliers on which the Group is dependent, this would have a direct impact on the Company's trading or financial results.

2.7 ***Risks associated with the Group's dependence on key customers***

The Group's main customer, Shufersal Ltd represented 16 per cent of Willi-Food's income for the year ended 31 December 2014. The Group does not have any long-term and/or minimum purchase agreements in place with any of its customers. Accordingly, there is no guarantee that these customers will continue to purchase goods and products from the Group. Therefore, any significant reduction in sales to, or the loss of any significant customers, would have an adverse impact on the Group's financial performance and prospects.

Dependency on a limited number of major customers also increases the risk for the Company. Should any force majeure event affect any of the limited number of major customers on which the Group is dependent, this would have a direct impact on the Company's trading or financial results.

3. **Risks relating to the Ordinary Shares**

3.1 ***Trading in Ordinary Shares***

Investors should be aware that the value of the Company's shares may go down as well as up and that they may not be able to realise their investment. Sales of a substantial number of the Company's shares in the public market could depress the market price of the Company's shares.

3.2 ***If the Company is wound up, distributions to holders of the Company's shares will be subordinated to the claims of creditors***

On a return of capital on a winding-up, holders of the Company's shares shall be entitled to be paid out of the assets of the Company available for distribution to members only after the claims of creditors of the Company have been settled.

3.3 ***Dividends***

The ability of the Company to pay a dividend on the Company's shares will depend on, inter alia, the solvency of the Company. The Company may make a distribution of its profits (the "**profit criterion**") provided that the Directors have no reasonable grounds to believe that such distribution might deprive the Company of its ability to pay its existing and anticipated debts when the time comes for so paying (the "**ability to pay criterion**"). This test requires the Board to make a future assessment by making reference to the profit criterion and the ability to pay criterion being satisfied immediately after a distribution or dividend payment is made. If at the time any dividend payment is to be authorised, or at any time before any dividend payment is to be made, the Directors believe that the profit criterion and/or the ability to pay criterion cannot be met, then no payment may be made to holders of the Company's shares.

WFI has recently issued Series D Bonds (the "**Bonds**"). For so long as any of the Bonds issued by WFI remain unpaid, WFI shall not make any dividend or distribution in excess of one third of the yearly profit after tax of WFI and, in any case, shall not make any dividend or distribution if as a result of such distribution WFI's equity capital would equal less than 45 per cent of the sum of its balance sheet. In addition, other than the dividend declared in 2005 and paid in January 2006, WFINT has never declared or paid cash dividends on its ordinary shares. As such there can be no guarantee as to the amount of any dividend or distribution ultimately received by the Company and therefore available for distribution to its shareholders.

3.4 ***Net asset value***

There is no guarantee that the market price of the Company's shares will fully reflect the underlying value of the assets held by the Company. As well as being affected by the underlying value of the assets held, the market value of the Company's shares will, amongst other factors, be influenced by the market price of the Company's shares and the supply and demand for the Company's shares in the market. As such, the market value of the Company's shares may vary considerably from the underlying value of the Group's assets.

3.5 ***Volatility***

The market price of the Company's shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Company's shares or in response to various factors and events, including legal or regulatory changes affecting the Group's operations and variations in the Group's operating results.

3.6 ***Holders of Depositary Interests must rely on the Custodian to exercise rights attaching to the underlying Company's shares for the benefit of the holders of Depositary Interests***

The rights of holders of Depositary Interests will be governed by, among other things, the relevant provisions of the CREST Manual and the CREST Rules (as defined in the CREST Terms and Conditions issued by CRESTCo). The Custodian will hold the voting and other rights conferred by Israeli law and the Articles for the benefit of the relevant holder. Consequently, the holders of Depositary Interests must rely on the Custodian to exercise such rights for the benefit of the holders of Depositary Interests. Although the Company will enter into arrangements whereby CRESTCo will make a copy of the register of the names and addresses of holders of Depositary Interests available to the Company to enable the Company to send out notices of shareholder meetings and proxy forms to its holders of Depositary Interests and pursuant to CRESTCo's omnibus proxy arrangements, subject to certain requirements, the Custodian will be able to give each beneficial owner of a Depositary Interest the right to vote directly in respect of such owner's underlying Shares, there can be no assurance that such information, and consequently, all such rights and entitlements, will at all times be duly and timely passed on or that such proxy arrangements will be effective.

The City Code on Takeovers and Mergers

The Company is incorporated in Israel and its head office and place of central management is in Israel. Accordingly, transactions in shares of the Company are not subject to the provisions of the UK City Code on Takeovers and Mergers (the "**City Code**") and the Company's shareholders are therefore not afforded the protections of the City Code.

Israeli Law

Shareholders' rights and responsibilities will be governed by Israeli law and these differ from the rights and responsibilities of shareholders under English law or the law of other non-Israeli jurisdictions. The Company is incorporated under Israeli law. The rights and responsibilities of holders of the Company's shares are governed by the Company's memorandum of association, the Company's articles of association and by Israeli law. In particular, a shareholder of an Israeli company has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his power in the company, including, amongst other things, in voting at the general meeting of shareholders on certain matters.

The directors continue to monitor all of the key risks and uncertainties and the directors will take appropriate actions to mitigate these risks and their potential outcomes. These actions include careful management of costs across all areas of the business with increased expenditure only in those areas that the directors decide are appropriate to drive growth and deliver long term strategic benefits.

GOING CONCERN

The directors have reviewed the performance and forecast for the forthcoming year of the Company. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Following review of the above risks and uncertainties and management's current expectations, the Board believes that the Company will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The financial statements have therefore been prepared on a going concern basis.

OUTLOOK

The Company has finished the process of implementing the investment in WFI and is continuing its efforts to actively identify suitable investments into solid businesses that can offer BSD the opportunity to drive revenues and achieve long-term sustainable growth. The Company is carefully managing its cash so as to be able to take advantage of opportunities in the market.

RESPONSIBILITY STATEMENT

The directors confirm that to the best of their knowledge:

- The consolidated financial statements of BSD have been prepared in accordance with IFRS. The accounting policies set in the financial statement have been applied consistently to all periods presented in these consolidated financial statements. The Financial Statements, prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- The Business Review includes a fair review of the development and performance of the business, the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Rabbi Abraham Wolff Chairman

26 March 2015

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Rabbi Abraham Wolff, *Chairman* (aged 44). Rabbi Abraham Wolff joined the Board on 14 August 2013. In addition, Rabbi Wolff serves as a Rabbi of Odessa and Southern Ukraine and is a director of a number of Odessa's Jewish community institutions.

Israel Jossef Schneorson, *Chief Executive Officer and Vice Chairman* (aged 48). Jossef Schneorson joined the Board on 14 August 2013. Jossef Schneorson also serves as a board of directors' member and the executive manager of BGI. Following completion of the acquisition of WFI, Mr Schneorson is also a director and the vice chairman of WFI and WFINT.

Zvi Shur, *independent, non-executive and External Director* (A), (FBC), (R) and (N) (aged 78). Zvi Shur joined the Board in September 2007. Until 2002, Mr Shur served as the General Manager of the Israeli Diamond Manufacturers Association, a position he had held since 1983. Between the years 1982 and 1983, Mr Shur served as the general controller of Tadiran, an electronics concern after serving in the Israeli Defence Force in a wide scope of duties for almost 30 years. His most recent post in the Israeli Defence Force was as head of the budget department at the Ministry of Defence and financial advisor to the Chief of Staff, with the rank of Brigadier General. Between the years 1982 and 2005, Mr Shur served as non-executive director of over 20 Israeli companies engaged in a variety of businesses from manufacturing to finance. In 2003, Mr Shur founded the Shur Zvi Consulting and is an active member of management of the Maccabia village and Maccabi World Union. Mr Shur holds a Bachelor of Science in electrical engineering and a Master of Science industrial and management engineering.

Yossef Schvinger, *independent non-executive director* (A), (FBC), (R) and (N) (aged 54). Yossef Schvinger joined the Boardon 14 August 2013. Prior to joining the Company, Yossef Schvinger served as a director of Boymelgreen Capital Limited, a public Israeli company and as a Chief Executive Officer of the company of the development of holy places in Israel an Israeli governmental company. In the past decade, Mr Schvinger was elected as the Mayor of Mod'in Elit local council. Prior to serving as a Mayor, Mr Schvinger acted as a member of the administration of the development of Mod'in Elit local council towns as a senior advisor of the Chief Executive Officer of the Ministry of Internal Affairs in Israel.

Chanoch Winderboim, *non-executive director* (as from August 2014, (A) (aged 58). Chanoch Winderboim joined the Board on 14 August 2013. Chanoch Winderboim also serves as a Chairman of the board of directors of BGI and has experience in real-estate transactions. Mr Winderboim holds a LLB from Shaarei Mishpat College and a LLM from Bar-Ilan University. Mr Winderboim is also a director of WFI and WFINT following completion of the acquisition of WFI.

Keren Arad-Leibovitz, *independent, non-executive and External Director* (A), (FBC), (R) and (N) (aged 44). Keren Arad-Leibovitz joined the Board on 30 December 2013. Keren Arad-Leibovitz has over 15 years of extensive experience in Israeli and International corporate and commercial law as an attorney admitted to practice in Israel and in the State of New York. Ms Arad-Leibovitz previously served as a director, and as a statutory External Director (as defined below) on the boards of two Israeli companies publicly traded in the Tel Aviv Stock Exchange. During this time Ms Arad-Leibovitz was also a member of the Audit Committees of these companies. In the last seven years Ms Arad-Leibovitz held the position of VP Business Development and head of legal in an Israeli privately held group of companies, which portfolio included over 20 companies in the fields of Cellular Based Operations, Telecom Products and Services, Real Estate, Tower

Management, WiMax, and other investments. Markets of activities of the various group companies included US, Western and Eastern Europe, South America, Asia, Africa and India. As part of her position, Ms Arad-Leibovitz also served as a director and member of the management team of six Israeli and foreign private companies. As a member of the various boards of directors and management teams, Ms Arad-Leibovitz participated in and managed various business processes and activities, structured business strategies, reviewed financial reports, analysed marketing and sales plans, and structured financing strategies and transactions.

A - Member of the Audit Committee

FBC – Member of the Financial Balance Committee

R - Member of the Remuneration Committee

N – Member of the Nomination Committee

CORPORATE SECRETARY

The Board has appointed Eyal Merdler as corporate secretary. The corporate secretary ensures the compliance by the management with all procedures so as to ensure the protection of the rights of the Company's shareholders. The corporate secretary is in charge, *inter alia*, of organizing shareholders' general meetings and assists the board of directors and its committees in their day-to-day activities. Mr Merdler also serves as Chief Financial Officer and company secretary to BGI.

INTERNAL CONTROLLER

The Company’s internal controller is responsible for the conduct of all internal auditing at the Company, has a key role in the management of risks of the Company and contributes to safeguarding the shareholders' investment and rights in the Company and the Company's assets. The internal controller reports to the Audit Committee of the Board which approves its work plan and reviews report and it supervises the financial statements preparation statements. The internal controller takes part to all the meetings of the Financial Balance Committee.

In addition, the internal controller enables the Company to ensure performance efficiency, mitigate actual or potential risks, duly and timely complete the Company's reporting obligations, ensure compliance with applicable laws and preserve the Company's assets.

On 16 February 2014, the Board (after the approval of the audit committee) appointed Mr Ofer Orlitzki as the Company’s internal controller.

During 2014, the internal controller produced two reports for the Company. The first report dealt with the risks faced by the Group and ensuring risk-mitigation procedures are in place. The second report considered the Company’s ongoing litigation and assessed the management thereof. Both reports were presented to the Board and relevant committees and have been taken into account by the Company’s management.

CORPORATE GOVERNANCE

Incorporated in Israel, BSD is listed on the Standard List of the Official List of the London Stock Exchange. A standard listing requires the Company to comply with the harmonised regulatory requirements imposed by the EU that apply to all securities that are admitted to trading on EU regulated markets. As an issuer with a standard listing, the Company is not required to comply with super-equivalent provisions of the Listing Rules which apply only to companies with a premium listing, including, without limitation, complying with or explaining against the UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the "**UK Corporate Governance Code**"). However, the Board will apply certain provisions of the UK Corporate Governance Code on a voluntary basis and will comply with the requirements set out in rule 7.2 of the Disclosure and Transparency Rules.

This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the provisions set out in the UK Corporate Governance Code.

THE GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the supreme body of BSD. Shareholders are required to approve a certain number of resolutions such as, *inter alia*, appointing the external auditors of the Company, approving allotment of shares, approving distribution of dividends, approving the directors' remuneration and the Remuneration Committee Policy. Shareholders exercise their rights by attending and voting at general meetings. For each resolution, proxy appointment forms are provided to shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The Company holds its annual general meeting once a year. The last annual general meeting was held 3 July 2014 and the Company held extraordinary general meetings on 8 September, 2014 and on 5 January, 2015.

THE BOARD

The Board is responsible for the Company's corporate governance policy. It recognises the importance of high standards of integrity and consistently seeks to apply the provisions set out in the UK Corporate Governance Code. The Board is responsible for the overall conduct of the Company's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of Israel and its articles of association.

The Company is controlled through the Board whose main role is to:

- create value for shareholders;
- provide leadership of the Company;
- approve the Company's strategic and operating objectives;
- review management performance;
- consider, and if thought fit, to approve major acquisitions and disposals;
- provide treasury policies;
- provide the Company's governance policies;

- ensure that the necessary financial and other resources are made available to the management to enable them to meet those objectives; and

- operate within a framework of effective controls which enables the assessment and management of principal business risks.

The Board is responsible for approving, *inter-alia*, the Company's overall strategy and financial policy, acquisition and investment policy and major capital expenditure projects. It also appoints and removes members of the Board (including the independent non-executive directors but excluding External Directors) and Board committees, reviews recommendations of the Audit Committee and the Financial Balance Committee, Remuneration Committee and Nomination Committee and is responsible for the appointment of the independent auditor. The Board also reviews the financial performance and operation of each of the Company's businesses, approves financial statements after discussions with the Financial Balance Committee, changes in capital structure, appointment, removal and compensation of senior management, engagement of professional advisors, internal control arrangements, risk management and corporate governance. The Board sets the standards and values of the Company and much of this has been embodied in the Company's Code of Conduct and Ethics and Human Rights Policy which can be found on the Company's website, www.bsd-c.com.

The Company's Code of Conduct and Ethics applies to all directors, officers and employees of the Company. The Company's Code of Conduct and Ethics contains provisions under which employees can report violations of company policy or any applicable law, rule or regulation. The current procedure provides for information to be given anonymously or by named employees under conditions of confidentiality. Those employees who come forward and give their name are assured that they will receive the full protection and no retaliation will take place.

During the year ended December 2014, the Board comprised the following members:

Rabbi Abraham Wolff, the Chairman, Jossef Shneorson, Chief Executive Officer and Vice Chairman, Amnon Ben-Shay (who resigned on 12 January 2014), as non-executive director, Zvi Shur, an independent non-executive and External Director, Yossef Schvinger, an independent non-executive director, Chanoch Winderboim, a non-executive director and Keren Arad-Leibovitz, an independent, non-executive and External Director.

The Chairman is responsible for setting the Board's agenda in particular to discuss strategic issues. The Chairman also promotes culture of openness and debates, involves non-executive directors in the strategic decisions of the Company in particular and ensures constructive relations between executive and non-executive directors.

The Chairman is also responsible for ensuring that the directors receive accurate, timely and clear information and ensure effective communication with shareholders. In addition the Chairman is also responsible for the induction and training of each member of the directors whether executive or non-executive.

The Board, which is responsible for the Company's overall leadership, believes that it holds an appropriate balance of skills, experience, and knowledge of the Company to enable it to discharge its respective duties and responsibilities effectively. At the same time, the Company's subsidiaries, EMOZE and WFI, are managed by a separate management teams, thus allowing for clear division of responsibilities whereby no one individual holds unfettered powers of decision and there is a sufficient balance and a clear division of responsibilities at the various decision making levels of the Company.

The Nomination Committee leads the process for the appointment of the members of the board of directors. The process used in relation to Board's appointments and the work of the Nomination Committee is described in specific detail below.

Directors are subject to re-election at every annual general meeting (with the exception of the External directors, as further described below). The Board has the power at any time, and from time to time, to appoint additional directors (either to fill any vacancy or as additional directors) provided that the number of directors does not exceed the maximum permitted in accordance with the Company's articles of association. In such cases, the newly appointed director holds office until the next annual general meeting of shareholders immediately following such appointment.

Under the Israeli Companies Law 5759-1999 (the "**Israeli Companies Law**"), a person who lacks the necessary qualifications and the ability to devote an appropriate amount of time to the performance of his or her duties as a director shall not be appointed director of a publicly traded company. While determining a person's compliance with such provisions, the company's special requirements and its scope of business shall be taken into consideration. Where the agenda of a shareholders meeting of a publicly traded company includes the appointment of directors, each director nominee should submit a declaration to the company confirming that he or she has the necessary qualifications and that he or she is able to devote an appropriate amount of time to performance of his or her duties as a director. In the declaration, the director nominee should specify his or her qualifications and confirm that the restrictions set out in the Israeli Companies Law do not apply.

Under the Israeli Companies Law, if a director ceases to comply with any of the requirements provided in the Israeli Companies Law, such director must immediately notify the company, and his or her term of service shall terminate on the date of the notice.

On appointment, non-executive directors receive a range of information about the Company which aims to provide an understanding of the Company as a whole, including its strategy, structure, geographic spread of operations, financial position, markets, products, technologies and people, as well as their legal responsibilities as directors. There is in place a procedure whereby the directors may, in furtherance of their duties, take independent legal and financial advice at the Company's expense. Other than Jossef Schneorson, the Chief Executive Officer and Vice Chairman of the Company, who holds 5 per cent of Israel 18 B.V. which is BGI's indirect controlling shareholder, the directors and their respective immediate families have no direct or indirect interests, both beneficial and non-beneficial, in the ordinary shares of the Company at 31 December 2014. In addition, Rabbi Abraham Wolff's brother serves as the protector of the fund holding Israel 18 B.V., and therefore Rabbi Abraham Wolff is deemed to have indirect interests in the controlling shareholder.

Total number of issued shares of the Company as at 31 December 2014: 140,578,154

Total number of issued and outstanding shares of the Company as at 31 December 2014: 109,990,252

DIRECTOR'S REMUNERATION

Members of the Board are paid for the performance of their duties and reimbursed for expenses arising from the exercise of their functions. The remuneration of independent and non-independent members of the

Board is determined according to the laws and approved by the shareholders during the annual general meeting.

The Company's Remuneration Policy is further detailed further in the Office Holders' Remuneration section below.

BOARD MEETINGS

The Board meets on a regular basis to discuss the overall direction and strategic plan of the Company. Ad hoc meetings may also be convened at any time to deal with matters between scheduled meetings as appropriate. Prior to each Board meeting, each director receives background materials related to the matters for discussion at the meeting. Once a year, a budget is discussed and approved by the Board for the following year. All directors are properly briefed on progress with respect to matters discussed at Board meetings and further information requested by a director is made available.

It is expected that all directors attend physically or by teleconference the Board and relevant committee meetings, unless they are prevented from doing so by prior commitments. Directors leave the meeting where matters relating to them, or which may constitute a conflict of interest to them, are being discussed.

The Board votes on decisions by simple majority. Each member of the Board has on vote. The quorum for meeting is the majority of its members.

Board members have the opportunity to ask any questions and request any additional information on agenda items

The table below shows the number of years directors have been on the board of directors and their attendance at scheduled Board meetings and at meetings of the Audit, Financial Balance and Remuneration Committees during the year ended 31 December 2014:

Meetings held in 2014	Years on Board	Board	Audit/FBC	Remuneration	Nomination
Meetings attended:					
Zvi Shur	7.25	18	17	5	4
Abraham Wolff	1.375	10	n/a	n/a	n/a
Jossef Schneorson	1.375	17	n/a	n/a	n/a
Yossef Schvinger	1.375	17	16	5	4
Chanoch Winderboim	1.375	17	4	n/a	n/a
Keren Arad-Leibovitz	1	18	18	5	4

n/a = not applicable (where a director is not a member of a committee).

During the year, other directors have attended meetings of the Audit and Financial Balance Committees by invitation. These details are not included in the table above.

INDEPENDENCE & QUALIFICATION

The UK Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise 'independent' non-executive directors being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.

In particular, the UK Corporate Governance Code provides that smaller companies (i.e. companies which are below the FTSE 350 throughout the year immediately prior to the reporting year) shall have at least two independent non-executive directors. The UK Corporate Governance Code states that the board of directors should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The Board has considered the independence of its non-executive directors in line with the principles of the UK Corporate Governance Code (section B.1.1) and, following careful consideration, assessed the independence of the non-executive directors as set out herein.

Pursuant to the Israeli Companies Law, companies incorporated under the laws of Israel whose shares have been offered to the public in or outside of Israel are required to appoint at least two statutory independent directors ("**External Directors**") who meet certain statutory criteria of independence, which are in line with the independence requirement under the UK Corporate Governance Code. The Israeli Companies Law provides that a person may not be appointed as an External Director if the person is a relative of the controlling shareholder of the company or if that person or his or her relative, partner, employer, another person to whom he or she was directly or indirectly subject, or any entity under the person's control, has, as of the date of the person's appointment to serve as External Director, or had, during the two years preceding that date, any affiliation or one of certain other prohibited relationships with the company or any person or entity controlling (or relative of such controlling person), controlled by or under common control with the company (or, in the case of a company with no controlling shareholder, any affiliation or one of certain other prohibited relationships with a person serving as Chairman of the board of directors, Chief Executive Officer, a substantial shareholder or the most senior office holder in the company's finance department). The term "affiliation" and the similar types of prohibited relationships include:

- an employment relationship;
- a business or professional relationship, even if not maintained on a regular basis (but excluding a de minimise level relationship);
- control; and
- service as an office holder.

No person may serve as an External Director if the person's position or other business activities create, or may create, a conflict of interest with the person's responsibilities as an External Director or may otherwise interfere with the person's ability to serve as an External Director or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. Furthermore, a person may not continue to serve as an External Director if he or she accepts, during his or her tenure as an External Director, direct or indirect compensation from the company for his or her role as a director, other than amounts prescribed under the Israeli Companies Law regulations (as described below) or indemnification, the company's undertaking to indemnify such person, exemption and insurance coverage. If, at the time of election of an External Director, all other directors who are not the company's controlling persons or their relatives are of the same gender, the External Director to be elected must be of the other gender.

Pursuant to the Israeli Companies Law, all External Directors must have accounting and financial expertise or professional qualifications, and at least one External Director must have accounting and financial expertise. A director with “accounting and financial expertise” is a director that due to his or her education, experience and skills has a high expertise and understanding in financial and accounting matters and financial statements, in such a manner which allows him to understand deeply the financial statements of the company and initiate a discussion about the presentation of financial data. A director is deemed to have “professional qualifications” if he or she either (i) has an academic degree in economics, business management, accounting, law or public service, (ii) has an academic or other degree or has completed other higher education, all in the field of business of the company or relevant for his/her position, or (iii) has at least five years’ experience as either a senior managing officer in the company’s line of business with a significant volume of business, a public office, or a senior position in the company’s main line of business.

An External Director may be removed from office only: (i) by a court, upon determination that the External Director to be so removed ceased to meet the statutory qualifications for his or her appointment or if he or she violated his or her duty of loyalty to the company; (ii) by the same percentage of shareholders, acting through a shareholders' meeting, as is required for his or her election, if the board of directors has determined that the External Director to be so removed has ceased to meet the statutory qualifications for his or her appointment or violated his or her duty of loyalty to the company and has proposed the removal to the shareholders. Such determination by the board of directors is to be made in the first meeting of the board of directors to be convened following learning of the said cessation or violation.

An External Director who ceases to meet the conditions for his or her service as such must notify the company immediately and such service shall cease immediately upon such notification. In this respect, Zvi Shur and Keren Arad-Leibovitz act as the Company’s External Directors, within the meaning of “external” as defined in the Israeli Companies Law. The initial term of an External Director is three years and may be extended by a general meeting of shareholders for up to two additional three year terms.

The directors of the Company support high standards of corporate governance. The Company currently complies with the UK Corporate Governance Code and did so throughout 2014. The Company’s Board currently comprises one executive director and five non-executive directors, of whom Zvi Shur, Yossef Schvinger and Keren Arad-Leibovitz are considered to be independent non-executive directors, within the meaning of the UK Corporate Governance Code.

On appointment, non-executive directors receive a range of information about the Company which aims to provide an understanding of the Company as a whole, including its strategy, structure, geographic spread of operations, financial position, markets, products, technologies and people, as well as their legal responsibilities as directors. There is in place a procedure whereby the directors may, in furtherance of their duties, take independent legal and financial advice, at the Company’s expense.

Finally, under the Israeli Companies Law, the board of directors of a publicly traded company is required to make a determination as to the minimum number of directors (not merely External Directors) who must have accounting and financial expertise (according to the same criteria described above with respect to External Directors). In accordance with the Israeli Companies Law, the determination of the board of directors should be based on, among other things, the type of the company, its size, the volume and complexity of its activities and the number of directors. Based on the foregoing considerations, the Board determined that the number of directors with financial and accounting expertise in the Company shall not be less than one. Zvi Shur and Keren Arad-Leibovitz have been determined by the Board to possess such accounting and financial expertise.

Pursuant to section B.1.2 of the UK Corporate Governance Code, a smaller company (below the FTSE 350 throughout the year immediately prior to the reporting year) should have at least two independent non-executive directors. Having three independent directors, the Board is satisfied that there is sufficient independent representation on the Board.

The Board has determined that Zvi Shur has the requisite accounting, financial and professional expertise as required of External Directors under the Israeli Companies Law. Zvi Shur was appointed for a first three-year term as an External Director at the Company's annual general meeting held on 11 September 2007, a second three-year term at the annual general meeting held on 24 November 2010 and a third three-year term at the annual general meeting held on 4 April 2013. The second External Director is Keren Arad-Leibovitz, who was appointed for a first three-year term at the annual general meeting held on 30 December 2013.

Each committee of a Company's Board is required to include at least one External Director and the Audit Committee must include all of the External Directors.

An External Director is entitled to compensation as provided in regulations promulgated under the Israeli Companies Law and is otherwise prohibited from receiving any compensation, directly or indirectly, in connection with services provided as an External Director or otherwise to the company.

The Board has determined that Zvi Shur, Yossef Schvinger and Keren Arad-Leibovitz meet the UK Corporate Governance Code's independence requirements, as they are independent of the Company's executive management and free from any material business or other relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Accordingly, the Board believes that there are no such relationships that could materially interfere with the exercise of its independent judgment.

As from 14 August 2013, Jossef Schneorson, the Chief Executive Officer and Vice Chairman of the Company, holds 5 per cent of Israel 18 B.V. which is BGI's indirect controlling shareholder.

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company will ensure that its system of internal controls will apply to the whole Group.

In order to create an ongoing process to fulfil this responsibility, the Board has established a number of measures in order to identify, evaluate and manage the key financial, operating and compliance risks faced by the Company throughout the year and up to the date of the signing of the accounts. These measures are summarised below:

- the Board generally meets at least every quarter and is responsible for the major business risks faced by the Company and for determining the appropriate course of action to manage those risks;
- the Company's non-executive directors meet together from time to time in the absence of management;
- the Board has a budgetary process in which the key risks faced by the Company are identified. Performance is monitored and relevant action taken through the monthly reporting to the Board of variances from the budget, updated forecasts for the period together with information on the key risk areas;
- capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond certain levels, detailed written reports have to be submitted to the Board;
- responsibility levels are communicated throughout the Company, including delegation of authority and authorisation levels, segregation of duties and other control procedures. The Financial Statements Committee, through the internal audit, monitors controls which are in force and any perceived gaps in the control environment and also considers and determines relevant action in respect of any control issues raised by the external auditors. The findings of the Financial Statements Committee are communicated to the Board; and
- the Board ensures that the Company sets the appropriate policies on internal control and maintains a sound and effective internal control system to safeguard the shareholders' investments and the Company's assets. In this respect, the Board takes ultimate responsibility for the internal controls of the Company.

On 16 February 2014, the Board (after receiving the approval of the Audit Committee) appointed Mr Ofer Orlitzki as the Company's internal controller.

BOARD COMMITTEES

The Board has established Audit, Financial Balance, Remuneration and Nomination Committees. The duties of these committees are set out in formal terms of reference and the Board is satisfied that these terms conform to best corporate governance practice. The terms of reference for all Board committees can be found on the Company's website at www.bsd-c.com. The Company secretary is secretary to all Board committees.

AUDIT COMMITTEE

In accordance with the requirements of the UK Corporate Governance Code and the Israeli Companies Law, the Audit Committee is made up of at least three members who are all independent non-executive directors and includes one member with recent and relevant financial experience. The Audit Committee is chaired by Zvi Shur, an independent non-executive director. The Audit Committee will normally meet at least four times a year at the appropriate times in the reporting and audit cycle. The committee is required to oversee the relationship with the Company's external auditors.

Under the Israeli Companies Law, the Audit Committee must have at least three members, including all External Directors, and neither the Chairman of the Board, nor any person who is employed by or provides services to the Company nor any person having control over the Company (or any relative of such control person) may be a member of the Audit Committee.

Pursuant to the Israeli Companies Law, the Audit Committee of a publicly traded company must consist of a majority of independent directors. An "independent director" is defined as an External Director and as a director who meets the following criteria:

- he or she meets the qualifications for being appointed as an External Director, except for (i) the requirement that the director be an Israeli resident (which does not apply to companies whose securities have been offered outside of Israel or are listed outside of Israel) and (ii) the requirement for accounting and financial expertise or professional qualifications; and

- he or she has not served as a director of the company for a period exceeding nine consecutive years. For this purpose, a break of less than two years in the service shall not be deemed to interrupt the continuation of the service.

The Israeli Companies Law further provides that a company may also elect to impose, via the adoption of a proposed set of corporate governance rules, certain independence requirements with respect to the composition of the board of directors as a whole. Those requirements, if undertaken by a company, mandate that (i) if the company has no controlling shareholder or no shareholder that holds at least 25 per cent of the company’s voting rights, most of the members of the board of directors must be independent directors, whereas (ii) if the company has a controlling shareholder or a shareholder that holds at least 25 per cent of the voting rights, then at least one-third of the directors need to be independent directors.

As of the date of this report, the Company has not elected to adopt these corporate governance rules. However, the Audit Committee comprises three independent non-executive directors: Yossef Schvinger, Zvi Shur, and Keren Arad-Leibovitz (as well as Chanoch Winderboim, a non-executive director, who joined the Audit Committee in August 2014).

The Board has determined that three members of the Audit Committee are independent for the purposes of the Israeli Companies Law as well as for the purposes of the UK Corporate Governance Code. The members bring wide-ranging financial, commercial and management experience to the work of the Audit Committee. Hence, as previously described, the Board has determined that Zvi Shur and Keren Arad-Leibovitz are each a ‘financial expert’ as that term is defined under the Israeli Companies Law, having recent and relevant financial and accounting knowledge and experience.

The Audit Committee meets at least twice a year and on other occasions when circumstances require. The quorum for a meeting of the committee is two members. The Company’s financial team and representatives from the independent auditor and the internal auditor attend meetings under a standing invitation.

In accordance with its terms of reference, the Audit Committee is required to oversee the relationship with the Company’s external auditors and to monitor compliance with statutory and listing requirements for any exchange on which the Company’s shares are quoted. It reviews the Company’s internal control and risk management as well as the Company’s cash investment policy. The Audit Committee also reviews the arrangements by which the Company’s employees may, in confidence, raise concerns about improprieties in matters of financial reporting and other matters (commonly referred to as "whistle-blowing" procedures).

The UK Corporate Governance Code and the Israeli Companies Law require the Company to ensure a sound system of internal control to safeguard shareholders’ investments and the Company’s assets. Such system should cover all material controls – financial, operational, compliance and risk management. To comply with this provision, the Board appointed an internal auditor, who is responsible for examination of the Company’s internal controls and reviewing their effectiveness. All the recommendations provided by the internal auditor are presented to the Audit Committee for review and evaluation. The Audit Committee then recommends the required measures, if any, to the Board final decision and execution.

Part of the role of the Audit Committee is to review and monitor the independence and objectivity of the Company's external auditor as well as the effectiveness of the audit process and following the acquisition of WFI, the Company is required to produce consolidated accounts for all members of its Group, including the Company, its 62.21 per cent subsidiary WFI and WFINT, a 59.97 per cent subsidiary of WFI.

The Company's independent auditors up until 19 January 2015 were Kost Forer Gabbay & Kasierer, a registered accounting firm and a member of Ernst & Young Global ("**E&Y Israel**"). Willi-Food, which is currently the Company's most significant trading asset, engages Brightman Almagor Zohar & Co., a registered accounting firm and a part of Deloitte Touche Tohmatsu Limited ("**Deloitte Israel**") as its independent auditors. The Board and the Company's Audit Committee considered that it presents greater efficiency and value for money for the Company to engage the same firm of independent auditors for the Group, including for the purposes of the preparation of the 2014 annual accounts for the Group, so as to minimise costs to the Company and prevent duplication of the work. Therefore, following the recommendation of the Company's Audit Committee and the Board, on 19 January 2015 the Company's shareholders resolved to appoint Deloitte Israel as the Company's independent auditors.

For the year ended 31 December 2014, the Board of the Company, with the recommendation of the Audit Committee of the Board, determined the audit remuneration of its auditors at a level of US$ 270 thousand to include the audit for the period ending 31 December 2014 in conformity with IFRS, the review of the Company's Interim Reports for the period ending 30 June and September 2014 in conformity with IFRS and the 2014 annual Israeli tax returns of the Company and its subsidiaries. For the year 2015, it was resolved, subject to shareholders' approval, to determine the audit remuneration of its auditors at a level of US$270 thousands to include the audit for the period ending 31 December 2015 in conformity with IFRS, the review of the Company's Interim Reports for the periods ending 31 March 2015, 30 June 2015 and 30 September 2015 in conformity with IFRS and the 2014 annual Israeli tax returns of the Company and its subsidiaries. The level of fees paid to Deloitte Israel for non-audit services has been considered by the Audit Committee and is not perceived to be in conflict with auditor independence requirements.

FINANCIAL BALANCE COMMITTEE

Pursuant to the Israeli Companies Law, Israeli companies shall appoint a Financial Statements Committee to monitor compliance with statutory and listing requirements for any exchange on which the Company's shares are quoted. The Financial Statements Committee reviews the Company's internal control and risk management. It also reviews the arrangements by which the Company's employees may, in confidence, raise concerns about improprieties in matters of financial reporting and other matters (commonly referred to as "whistle-blowing" procedures).

The UK Corporate Governance Code and the Israeli Companies Law require the Company to ensure a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such system should cover all material controls – financial, operational, compliance and risk management. To comply with this provision, the Board appointed an internal auditor, who is responsible for examination of the Company's internal controls and reviewing their effectiveness. All the recommendations provided by the internal auditor are presented to the Financial Statements Committee for review and evaluation. The Financial Statements Committee then recommends the required measures, if any, to the Board for final decision and execution.

The Financial Statements Committee must have at least three members and the Chairman of the Financial Statements Committee shall be an External Director. In this respect, the Financial Statements Committee is chaired by Zvi Shur, an External Director. In addition, all External Directors shall be the members of the Financial Statements Committee shall be directors and the majority of the members of the Financial Statements Committee shall be independent directors. The members of the Financial Statements Committee shall have the skills necessary to read and understand financial statements and at least one the independent directors shall have accounting and financial expertise and shall make a declaration before their appointment in this respect. In addition, members of the Financial Statements Committee can be those members that comprise the Audit Committee as set out above. The Financial Statements Committee meets at least four times a year and on other occasions when circumstances require.

The Board has determined that all three members of the Financial Statements Committee are independent for the purposes of the Israeli Companies Law as well as for the purpose of the UK Corporate Governance Code. The members bring wide-ranging financial, commercial and management experience to the work of the Financial Statements Committee. Hence, as previously described, the Board has determined that Zvi Shur and Keren Arad-Leibovitz are each a ‘financial expert’ as that term is defined under the Israeli Companies Law, having recent and relevant financial and accounting knowledge and experience.

The quorum required for discussions and the Financial Statements Committee's decision-making process is the majority of its members provided that the majority of the attending directors are independent directors and includes at least one External Director.

According to the Israeli Companies Law, prior to the approval of the financial accounts by the Board, the Financial Statements Committee shall discuss the financial statements of the Company and formulate recommendations to the Board in respect of, inter alia, data and underlying assumptions, internal controls over financial reporting, the completeness and adequacy of disclosure in the financial statements.

The internal auditor is invited to all meetings of the Financial Statements Committee to examine the financial statements.

REMUNERATION COMMITTEE

In accordance with the requirements of the UK Corporate Governance Code and the Israeli Companies Law, the Remuneration Committee is made up of at least three members who are all independent non-executive directors: Zvi Shur, Keren Arad-Leibovitz and Yossef Schvinger. The Remuneration Committee is chaired by Zvi Shur, an independent non-executive director.

In accordance with its terms of reference, the Remuneration Committee reviews the remuneration of all of the Company’s senior executives and is responsible for making recommendations to the Board on the Company's framework of executive remuneration to the Board and for determining on behalf of the Board the remuneration package for each executive director. In accordance with the Israeli Companies Law, the remuneration of executive directors requires the approval of the Company’s Audit Committee, the Board and its shareholders, in this order. The Remuneration Committee meets at least twice a year. No director participates in Board discussions on, or votes on matters relating to, their own remuneration unless the discussions are relating to general matters affecting the majority of the directors.

The primary responsibilities of the committee are:

- to recommend to the Board, a remuneration policy for directors (which should be re-approved every three years) and any updates that are recommended from time to time as well as how such policy should be implemented;

- to recommend the approval or rejection of conditions of service and employment of directors, where such approval is required pursuant to Israeli law;

- to ensure that individual pay levels for executive directors should generally be in line with levels of pay for executives in similar companies with similar performance achievement and responsibilities;

- to ensure that share option and bonus schemes, if any, should be set at a level that provides sufficient incentive to the executive to produce results that will reflect the Board’s expectations;

- to ensure that total pay and long term remuneration will be sufficient to retain executives; and

- to ensure that aggregate pay for all executive directors is reasonable in light of the Company’s size and performance;

The general meeting of the Company's shareholders approved on 8 September the Company's Remuneration Policy, following a prior approval by the Board and the evaluation and recommendation of the Remuneration Committee. For more details on the Company's Remuneration Policy please see the Office Holders' Remuneration section below.

NOMINATION COMMITTEE

In accordance with the requirements of the UK Corporate Governance Code, the Nomination Committee is made up of at least three members who are all independent non-executive directors. The Board has resolved that the majority of members of the Nomination Committee should comprise of independent directors. The Nomination Committee’s principal function is regularly to review the structure, size and composition of the Board (including gender, skills, knowledge and experience required of directors) and to make recommendations to the Board as to any changes required. The Nomination Committee is chaired by Zvi Shur and meets at appropriate times in the reporting cycle at times determined by the Chairman of the Board, in consultation with the Company secretary or upon request of a member of the Nomination Committee.

EVALUATIONS

The Company is currently in the process of undertaking its Board and Board committee evaluations for 2014.

EMPLOYEES

BSD’s employees are all located in Israel. The Company carefully monitors its overhead and employment expenditure to insure streamlined and efficient operation, both on the cost side and from a professional aspect. The Company is subject to various Israeli labour laws and labour practices, and to administrative orders extending certain provisions of collective bargaining agreements between the Israeli General Federation of Labour ("**Histadrut**") and the Coordinating Bureau of Economic Organizations (the Israeli federation of employers’ organizations) to all private sector employees. For example, mandatory cost of living adjustments, which compensate Israeli employees for a portion of the increase in the Israeli consumer price index, are determined on a nationwide basis.

Israeli law also requires the payment of severance benefits upon the termination, retirement or death of an employee. BSD meets this requirement by (i) contributing on an ongoing basis towards funds that combine pension, insurance and, if applicable, severance pay benefits and (ii) payment of differences, if applicable. In addition, the Company contributes up to 2.5 per cent of the employees' basic salary to disability insurance. In addition, Israeli employers and employees are required to pay specified percentages of wages to the National Insurance Institute. Other provisions of Israeli law or regulation govern matters such as the length of the workday, minimum wages as well as terms of employment and discrimination restrictions.

At the date of this document, the Group has 20 employees.

The table below shows the geographical breakdown of employees by their main activity.

Company	*Total No. of Employees*	*Management*	*Accounting and Import*	*Sales*	*Research & Development*	*Administration & Logistics*
BSD Group	20	2	3	-	8	7

SHARE OPTION INCENTIVES

1. ***Restrictions on grant and exercise of options under Israeli Law***

Subject to the provisions of the Israeli Income Tax Ordinance New Version 1961 (the "**Ordinance**") and any applicable law, all grants of options to Israeli employees, directors and office holders of the Company, (other than to a controlling shareholder, as defined in Section 102 of the Ordinance) shall be made only pursuant to the provisions of Section 102 of the Ordinance, the Income Tax Rules (Tax Relief in Issuance of Shares to Employees) 2003 ("**102 Rules**") and any other regulations, rulings, procedures or clarifications promulgated thereunder.

Any options granted under the 102 Rules shall be deposited with a trustee designated by the Remuneration Committee, in accordance with the provisions of the relevant share option scheme and any applicable law, and approved by the Israeli tax authorities (the "**Trustee**"). The Trustee shall hold each such option and the Shares issued upon exercise thereof ("**Exercised Shares**") on trust (the "**Trust**"), in order to ensure compliance with applicable tax laws and for the benefit of the grantee in respect of whom such options were granted (the "**Grantee**").

According to the provisions of Section 102 of the Ordinance and the 102 Rules, options granted pursuant to the Company's share option scheme will be deemed granted on the date stated in the option agreement, and held in trust with the Trustee for a period of at least 12 to 24 months following the grant date ("**Trust Period**"), as may be required under the relevant subsections of Section 102 governing such grants. Any and all rights issued in respect of the Exercised Shares, including bonus shares ("**Rights**"), shall be deposited with the Trustee and held thereby until the lapse of the Trust Period. A Grantee shall not sell or release from trust any Exercised Shares at least until the lapse of the Trust Period. Notwithstanding the above, if any such sale or release occurs during the Trust Period, the sanctions under Section 102 shall apply to and shall be borne by such Grantee.

The Group's obligation to deliver Company shares upon the exercise of any options granted under the relevant share option scheme shall be subject to the satisfaction of all applicable income tax and other compulsory payments withholding requirements. All tax consequences and obligations regarding any other compulsory payments arising from the grant or exercise of any option, from the payment for, or the subsequent disposition of, Shares subject thereto or from any other event or act (of the Company, of the Trustee or of the Grantee) hereunder, shall be borne solely by the Grantee, and the Grantee shall indemnify the Company and/or the Trustee, as applicable, and hold them harmless against and from any and all liability for any such tax or other compulsory payment, or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax or other compulsory payment from any payment made to the Grantee. The Company and/or the Trustee, when applicable, shall not be required to release any share certificate to a Grantee until all required payments have been fully made.

2. ***Summary of the 2001 Plan***

A summary of the principal features regarding the Company's 2001 Global Stock Option Plan (the "**2001 Plan**").

2.1 *Eligibility*

Under the 2001 Plan, the Remuneration Committee, may grant options to any employee, director or consultant of the Company in accordance with the provisions of any applicable law.

2.2 *Performance conditions*

The grant or exercise of options may be linked to performance criteria.

2.3 *Administration*

The Remuneration Committee administers the 2001 Plan including ensuring, inter alia, that the eligibility criteria and vesting/performance criteria are set at a level that provides sufficient incentive to the executive to produce results that will reflect the Board's expectations.

2.4 *Exercise price*

Pursuant to the 2001 Plan, the Board may grant employees of the Company options with an exercise price per share that is less than (i) the fair market value of the Company's shares on the date of approval of the grant or (ii) the average of the trading price of an Company's shares for the 30 days prior to the date of grant provided however that any such grant will be subject to the approval of Shareholders.

2.5 *Term and vesting of options*

The options shall vest either on an annual basis or semi-annual basis in equal portions over a period varying between two to four years, commencing on the date of grant. The grant or exercise of options may be linked to performance criteria. On 21 February 2012, the Company's shareholders resolved to extend the term of the Company's 2001 Plan for an additional 10 years effective from 1 July 2011. If the options are not exercised within this period, the options will expire. Any options that are either cancelled or forfeited before expiration become available for future grants.

2.6 *Share Limits under the 2001 Plan*

Under the 2001 Plan, 10,000,000 options to purchase the Company's shares have been reserved for issuance. The total number of options available for future grant was adjusted during previous years with the approval of the Company's shareholders and, as at the date of this document, the total number of options available for future grants is 25,970,307.

The 2001 Plan does not include any specific limits on the number of options which can be held any one individual.

2.7 *Termination and Amendment*

The Board may at any time amend the 2001 Plan in whole or in part, or suspend or terminate it entirely, retroactively or otherwise. The Remuneration Committee may amend the terms of any award.

The following is a summary of the Company's stock options granted among the various plans:

	Year ended 31 December					
	2014		2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	802,650	1.25	961,400	1.34	1,015,100	1.33
Cancelled or forfeited	(592,650)	1.33	(158,750)	1.59	(53,700)	1.59
Outstanding at the end of the year	210,000	1.05	802,650	1.36	961,400	1.36
Exercisable at the end of the year	210,000	1.05	665,150	1.46	657,650	1.67
Vested and expected to vest at year end	210,000	1.05	702,650	1.46	961,400	1.36

The following table summarises information about options outstanding and exercisable as of 31 December 2014:

	Options Outstanding and Exercisable	
Range of exercise price	Number Of Options	Weighted Average Remaining Contractual life (years)
$ 0.72	150,000	5.9
$ 1.13	20,000	2.7
$ 2.26	40,000	0.78
$ 1.05	210,000	

RELATIONS WITH SHAREHOLDERS

The Company places a high degree of importance on maintaining good relationships and communications with both institutional and private investors and ensures that shareholders are kept informed of significant Company developments.

The Company's website (www.bsd-c.com) contains up to date information on the Company's activities and published financial results.

The Company welcomes dialogue with its shareholders and communicates with them through timely announcements, its interim and annual reports and through the Company's website, which is regularly updated. Regular meetings are held with institutional investors and the Company encourages the direct approach of its senior management by shareholders for questions and clarifications on the Company's business activities.

The Company's annual general meeting is also used as an opportunity to communicate with shareholders. All shareholders are encouraged to attend the Company's annual general meetings in order to take advantage of the opportunity to ask questions to the Company's representative attending the meeting. Separate resolutions are proposed on each substantially different issue so that each receives proper consideration, including the approval of the annual report and accounts. Proxy votes are announced after each proposed resolution is voted on by a show of hands.

Notice of general meetings and related documentation are sent to shareholders generally at least 14 (but up to 35) days in advance of such meeting (as permitted by Israeli Companies Law).

SHARES IN PUBLIC HANDS

Pursuant to public information available to the Company and the knowledge of the Directors of the Company, the Company has maintained a public float as required by the Listing Rules.

SHARE CAPITAL

The number of shares in issue (excluding shares held in treasury) is now 140,578,154.

As part of the repurchase program approved by the Board in 2012, the Company continued the implementation of the repurchase program in accordance with Israeli Companies Law, the FCA Listing Rules (the "**Listing Rules**") and the Commission Regulation (EC) No 2273/2003 (the "**EC Buy-back Regulations**"). The program was implemented by way of market purchases of the Company's own shares for transfer into Treasury. In accordance with the Listing Rules, the maximum price which may be paid by the Company was not more than the higher of (i) an amount equal to 105 per cent of the average market closing price (as derived from the London Stock Exchange Daily Official List) for the five dealing days immediately preceding such purchase; and (ii) the amount stipulated by Article 5(1) of the EC Buy-back Regulations, exclusive of expenses. Following the share repurchase, the Company now holds 30,587,902 of its shares in Treasury.

SHAREHOLDERS' RIGHTS

The Company has one class of ordinary shares in issue of NIS0.01 each, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The total issued share capital of the Company as at 31 December 2014 is 140,578,154 of which, 109,990,252 ordinary shares are outstanding.

SHAREHOLDERS' DUTIES

Under the Israeli Companies Law, a shareholder has a duty to act in good faith towards a company in which he holds shares and towards other shareholders and to refrain from abusing his power in the respective company. The Company's articles of association represent the rules of contract between the Company and its shareholders and among shareholders themselves.

MAJOR SHAREHOLDINGS

As at 26 March, 2015, being the most recent practicable date prior to the publication of this report, the major shareholders and number of shares held (beneficially or otherwise) as notified to the Company in writing by the respective shareholders under the Disclosure and Transparency Rules:

	Number of Shares	Percentage Held
BGI Group	27,525,679	25.01
Israel 18*	6,092,233	5.54
Schroders Plc	14,752,397	13.41
Donald L. Sturm and the Sturm Family Foundation	9,106,600	8.28
Fortissimo Capital Management Ltd**	4,541,524	4.12
Naftali Shani**	7,741,392	7.04

* In August 2013, the BGI Group acquired 20.01 per cent of the total issued and outstanding ordinary shares of the Company and granted a put option and purchased a call option in respect of a further 19.09 per cent of the issued shares of the Company. As part of said transactions, the BGI Group was granted powers of attorney which entitle it to vote the shares which are the subject matter of such options (19.09 per cent of the issued shares of the Company).

** To the best of the Company's knowledge, Mr Naftali Shani and Fortissimo Capital Management Ltd, amongst others, granted proxies originally in favour of the Israel 18 providing the Extended BGI Group with the right to vote the shares held by each respectively.

OFFICE HOLDERS' REMUNERATION

In accordance with Section 267A of the Israeli Companies Law (under Amendment 20), the Company is required to approve a remuneration policy, which prescribes the principles pursuant to which the Company's directors and officers are compensated (the "**Remuneration Policy**"). The Remuneration Policy was approved by the general meeting of the Company's shareholders held 8 September 2014, with a prior approval by the Board and following the evaluation and recommendation of the Company's Remuneration Committee.

The Remuneration Policy shall be effective for three years as of the date of its approval by the Company's shareholders and then, once every three years, will be presented for the renewed approval by the competent committees of the Company (being, in this case, the Company's Remuneration Committee, the Board and its shareholders), in accordance with Section 267A(d) of the Israeli Companies Law.

As part of the process of formulating the Remuneration Policy, the Company's management and consultants, having expertise and experience in the field of compensation, appeared before the Company's Remuneration Committee and the Board, and comparative data was reviewed with respect to officers and directors in similar companies.

Summary of the key terms of the Remuneration Policy

Office holders' remuneration plans are designed to reflect their duties and responsibilities within the Company and to contain targets that are set for them in the context of promoting the Company's goals, its business plan and its policies in the short and long-term.

The Remuneration Policy's goals are:

(a) the promotion of the Company's goals, its business plans and its policy in the short- and long-term;

(b) the creation of appropriate incentives for the office holders, considering, inter alia, the Company's risk management policy; and

(c) the recruitment and retention of high-quality managers who form the foundation of the Company's management, its continued development and success.

In setting the terms of employment for office holders, the Remuneration Policy takes into account:

(a) the skills, expertise, professional experience, education and achievements of the candidate or incumbent office holder;

(b) the duties, responsibilities, term of employment of and previous agreements with the office holder (in the case of an existing office holder);

(c) the Company's size and the nature of its business;

(d) the recommendations of the office holder's supervisor;

(e) the office holder's contribution to achieving the Company's targets and maximising its profits (with reference to variable remuneration components);

(f) a comparison with: (i) the remuneration of office holders at a similar level in the Company (insofar as relevant); (ii) the salary of the previous office holder in the same position (insofar as relevant); (iii) the average salary and the median salary of the Company's employees and contract workers engaged by the Company. In this context, the effect of any disparity between the terms of employment of the office holders and those of the Company's other employees at the Company will be examined;

(g) a periodic review of the remuneration of office holders in similar positions at similar companies. Similar companies for this purpose will be public companies similar to the Company in terms of the size and nature of its business. Key financial data, such as the market capitalisation, total assets and revenue will also be considered. The Company shall aim to have no less than eight companies in its comparison group at any one time; and

(h) the Company's financial position.

The Remuneration Policy contemplates a fixed salary component and related benefits, as well as variable remuneration, with bonuses determined in relation to certain Company and individual targets, weighted in accordance with the office-holder's respective position within the Company.

The terms of office and employment of the Company's chief executive officer and the Company's chief financial officer and corporate secretary, having complied with all material aspects of the Remuneration Policy, have been approved by the general meeting of the Company's shareholders held on 8 September 2014.

REMUNERATION OF EXECUTIVE DIRECTORS

At the general meeting of the Company's shareholders held on 8 September 2014, the Company's shareholders approved the entry by the Company into an agreement entered into between the Company and Israel Jossef Schneorson, the Company's chief executive officer.

The key terms of the Schneorson Agreement are:

(a) Mr Schneorson provides chief executive officer services to the Company (irrespective and unrelated to his fulfilment of his role as a director of the Company) as an independent contractor and is not an employee of the Company.

(b) Mr Schneorson spends no more than 10 per cent per cent of his working time in providing chief executive officer services to BGI pursuant to the Management Agreement (as defined below) and also provides services to the subsidiaries of the Company as may be required from time to time.

(c) Mr Schneorson is entitled to act as a director of other companies and to pursue other business interests, in each case provided that this does not prejudice the provision of his services to the Company.

(d) Mr Schneorson is entitled to a fee of NIS 60,000 (approximately GBP 9,900 as at 31 December 2014) per month (gross) plus VAT, in addition to any bonus awarded in accordance with the Company's remuneration policy following receipt of any approvals required under law. Mr Schneorson is entitled to additional benefits and reimbursement of expenses incurred in the course of his provision of services (in each case subject to the Company's policies from time to time), including the costs of a vehicle, petrol and maintenance, a mobile phone, foreign and domestic travel, medical check-ups and subscription to a daily financial newspaper, in each case against the provision of receipts. As an independent contractor, Mr Schneorson is not entitled to any social benefits accruing to an employee pursuant to Israeli law.

(e) The services agreement has an initial term of three years and may be terminated by either party providing 60 days' prior notice. The Company may also forthwith terminate Mr Schneorson's term of service due to incapacity lasting for a period greater than 60 days or under other customary circumstances. The Company may award Mr Schneorson a bonus upon his departure, in accordance with the Company's remuneration policy.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive directors was set by the Remuneration Committee and approved by the Audit Committee and the Board (subject to the approval at the annual general meeting) and in accordance with the Company's Remuneration Policy.

Non-executive directors are entitled to fees of £20,000 per annum, paid quarterly. These fees have been determined with reference to available information on the fees paid to non-executive directors in other companies of broadly similar size, market cap and complexity. Remuneration of non-executive directors did not include share options or other performance-related elements. Non-executive directors were also entitled to reimbursement of reasonable out-of-pocket expenses.

Each director (excluding the External Directors) is subject to re-election at each annual general meeting. The two External Directors are appointed, as required by Israeli law, for a term of three years and may be appointed for two additional three-year term.

None of the directors is involved in any discussion with the Board or any committee of the Board relating to their own remuneration, nor do they participate in any vote on their remuneration by the Board or any committee of the Board unless the discussions are relating to general matters affecting the majority of the directors.

No share options were granted to the non-executive directors who held office during 2014.

MANAGEMENT AGREEMENT

At the general meeting of the Company's shareholders held on 8 September 2014, the Company's shareholders approved the entry by the Company into a management agreement with BGI (the "**Management Agreement**"). The key terms of the Management Agreement are set out below:

(a) BGI's terminated its then existing services agreement with Mr Israel Jossef Schneorson (the Company's chief executive officer) and employment agreements with Mr Eyal Merdler (the Company's chief financial officer and company secretary), the Company's controller, bookkeeper and four administrative and secretarial personnel then employed by BGI and then providing services to the Company.

(b) The Company entered into a new services agreement with Mr Israel Jossef Schneorson and a new employment agreement with Mr Eyal Merdler, the material terms and conditions of these agreements are set out below. In addition, the Company entered into new employment agreements with the

Company's controller, bookkeeper and four administrative and secretarial personnel then employed by BGI and then providing services to the Company, in each case on terms substantially the same as set out in their previous employment agreements with BGI.

(c) The Company paid BGI a one-off fee of US$ 660,000 in relation to the services provided to the Company by the chief executive officer, chief financial officer, corporate secretary, controller, bookkeeping and certain administrative staff of BGI between 14 August 2013 and 31 August 2014, net of expenses or amounts owing from BGI to the Company as at the date of such payment. The costs of these services reflected the cost of the services provided by employees or contractors of BGI to the Company, on the basis that Mr Schneorson and Mr Merdler spent, between 14 August 2013 and 1 January 2014 (at the best estimation of the Company) approximately sixty per cent (60 per cent) of their working time providing services to the Company and that all such BGI employees or contractors spent or will have spent, between 1 January 2014 (following the publication of BGI's special tender offer for the purchase of shares in the Company at the end of December 2013) and 31 August, 2014 (at the best estimation of the Company) approximately ninety per cent (90 per cent) of their working time providing services to the Company.

(d) The Company has, since the coming into effect of the Management Agreement, been providing the services of the chief executive officer, chief financial officer, corporate secretary, controller, bookkeeping and certain administrative staff to BGI, in consideration of a monthly fee equal to NIS 35,000 (approximately GBP 5,776 as at 31 December 2014), including VAT. The costs of these services reflect the cost of the services to be provided by employees or contractors of the Company to BGI on the basis that the Company's employees or contractors will spend (at the best estimation of the Company) approximately 10 per cent per cent of their working time providing services to BGI.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.)

B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2014

IN U.S. DOLLARS

INDEX

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Deloitte.

Report of Independent Auditors
To the Shareholder and Board of Directors of
B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.)

We have audited the accompanying consolidated statements of financial position of B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.) and its subsidiaries (hereafter- “the Company”) as of December 31, 2014 and the consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company’s board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

The consolidated financial statements of B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.) as of December 31, 2013 and for the year then ended, were audited by other auditors who expressed an unqualified opinion on those statements on March 27, 2014.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors’ Regulations (Auditor’s Mode of Performance) – 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believed that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2014, and their consolidated results of operations, changes in equity and cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS).

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu Limited

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2014	2013	2012
		U.S. dollars in thousands		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	6	25,325	2,957	9,333
Short-term deposits	7a	54,196	16,242	122,195
Short-term deposits held in trust	7b	-	140,418	-
Financial assets at fair value through profit or loss	8	42,724	-	13,360
Available for sale financial assets		-	206	215
Trade receivables	9	22,301	30	175
Other receivables and prepaid expenses	10	3,484	522	1,792
Investment in a fund designated at fair value through profit or loss	8	3,582	-	-
Inventories	11	12,502	-	-
Total current assets		164,114	160,375	147,070
NON-CURRENT ASSETS:				
Property, plant and equipment, net	12	13,923	67	67
Intangible assets:	5			
Customer relationships		5,415	-	-
Supplier relationships		3,016	-	-
Brands		1,448	-	-
Non-competition agreements		1,222	-	-
Goodwill	5(5)	22,556	-	-
Total non-current assets		47,580	67	67
Total assets		211,694	160,442	147,137

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2014	2013	2012
		U.S. dollars in thousands		
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Credit from bank and others	7b	-	18,813	-
Current maturities of debentures	14	3,472	-	-
Trade payables	15	4,191	699	268
Other accounts payable and deferred revenues	16	4,006	1,708	3,583
Employee benefit liabilities, net	17	789	282	758
Financial liability for non – controlling interest put option	5	7,217	-	-
Total current liabilities		19,675	21,502	4,609
NON-CURRENT LIABILITIES:				
Employee benefit liabilities, net	17	199	40	34
Liability for non- competition payments	5	1,425	-	-
Deferred taxes	22	3,242	-	-
		4,866	40	34
EQUITY:	20			
Share capital		416	416	416
Share premium		469,935	469,925	469,911
Treasury shares		(76,962)	(76,962)	(76,275)
Available for sale reserve		-	123	132
Reserve from transactions with non- controlling interests		(998)	-	-
Foreign currency translation reserve		(9,936)	-	-
Accumulated deficit		(259,700)	(254,189)	(251,346)
Equity attributable to Company's equity holders		122,755	139,313	142,838
Non- controlling interests		64,398	(413)	(344)
Total equity		187,153	138,900	142,494
Total liabilities and equity		211,694	160,442	147,137

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

26 March, 2015			
Date of approval of the financial statements	**Abraham Wolff** Chairman of the Board	**Israel Jossef Schneorson** CEO and Vice Chairman of the Board	**Eyal Merdler** CFO

B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2014	2013	2012
		Year ended 31 December		
		U.S. dollars in thousands (except earnings (loss) per share)		
Revenues		58,505	1,882	2,149
Cost of sales	21a	(44,310)	(449)	(525)
Gross profit		14,195	1,433	1,624
Research and development		1,263	1,562	1,751
Selling expenses	21b	8,001	134	800
General and administrative expenses	21c	13,000	7,095	2,620
Other income	21d	(1,975)	-	(2,061)
Total operating expenses		20,289	8,791	3,110
Operating loss		(6,094)	(7,358)	(1,486)
Financial income	21e	4,680	5,208	2,460
Financial expense	21e	(3,220)	(846)	(58)
(loss) income before taxes on income		(4,634)	(2,996)	916
Taxes on income	22b	(429)	-	-
(loss) income from continuing operations		(5,063)	(2,996)	916
(loss) income from discontinued operations, net	23	-	181	(30)
Net (loss) income		(5,063)	(2,815)	886
<u>Other comprehensive (loss) income may be reclassified to profit or loss in subsequent periods :</u>				
Gain (loss) from available-for-sale financial assets		25	(9)	34
Reclassification adjustment for gain on available- for-sale financial assets included in profit or loss		(148)	-	-
Adjustments arising from translation of financial statements of foreign operations		(18,351)	-	-
<u>Other comprehensive (loss) income will not to be reclassified to profit or loss in subsequent periods</u> :				
Remeasurement loss from defined benefit plans		10	(97)	(32)
Total other comprehensive (loss) income		(18,464)	(106)	2
Total comprehensive (loss) income		(23,527)	(2,921)	888
Net (loss) income attributable to:				
Equity holders of the Company		(5,515)	(2,746)	968
Non- controlling interests		452	(69)	(82)
Net (loss) income		(5,063)	(2,815)	886
Total comprehensive (loss) income attributable to:				
Equity holders of the Company		(15,570)	(2,852)	970
Non- controlling interests		(7,957)	(69)	(82)
Total comprehensive loss		(23,527)	(2,921)	888
Basic and diluted net earnings per share attributable to Company's equity holders (in U.S dollars):	23			
(loss) income from continuing operations		(0.05)	(0.03)	0.01
Income from discontinued operations		-	-	-
Net earnings (loss) per share		(0.05)	(0.03)	0.01

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

B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Treasury shares	Available for sale reserve	Reserve from transactions with non-controlling interest	Foreign currency translations reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands									
Balance as of 1 January 2014	416	469,925	(76,962)	123	-	-	(254,189)	139,313	(413)	138,900
Non- controlling interests arising from initially consolidated company	-	-	-	-	-	-	-	-	73,516	73,516
Net (loss) income	-	-	-	-	-	-	(5,515)	(5,515)	452	(5,063)
Other comprehensive (loss) income:	-	-	-							
Gain from available for sale financial assets	-	-	-	25	-	-	-	25	-	25
Reclassification adjustment for gain on available-for- sale financial assets included in profit or loss	-	-	-	(148)	-	-	-	(148)	-	(148)
Remeasurement of net defined benefit obligation	-	-	-	-	-	-	4	4	6	10
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(9,936)	-	(9,936)	(8,415)	(18,351)
Total comprehensive loss	-	-	-	(123)	-	(9,936)	(5,511)	(15,570)	(7,957)	(23,527)
Cost of share based payment	-	10	-	-	-	-	-	10	-	10
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	-	(857)	-	-	(857)	857	-
Transactions with non-controlling interest purchase of shares in subsidiary	-	-	-	-	(141)	-	-	(141)	(1,605)	(1,746)
Balance as of 31 December 2014	416	469,935	(76,962)	-	(998)	(9,936)	(259,700)	122,755	64,398	187,153

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributed to equity holders of the Company							
	Share capital	Share premium	Treasury shares	Available for sale reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands							
Balance as of 1 January 2013	416	469,911	(76,275)	132	(251,346)	142,838	(344)	142,494
Net Loss	-	-	-	-	(2,746)	(2,746)	(69)	(2,815)
Other comprehensive loss	-	-	-	(9)	(97)	(106)	-	(106)
Total comprehensive loss	-	-	-	(9)	(2,843)	(2,852)	(69)	(2,921)
Cost of share- based payment	-	14	-	-	-	14	-	14
Purchase of treasury stock	-	-	(687)	-	-	(687)	-	(687)
Balance as of 31 December 2013	416	469,925	(76,962)	123	(254,189)	139,313	(413)	138,900

	Attributed to equity holders of the Company							
	Share capital	Share premium	Treasury shares	Available for sale reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands							
Balance as of 1January 2012	416	469,864	(75,555)	98	(252,282)	142,541	(266)	142,275
Net (loss) income	-	-	-	-	968	968	(82)	886
Other comprehensive (loss) income	-	-	-	34	(32)	2	-	2
Total comprehensive loss	-	-	-	34	936	970	(82)	888
Cost of share-based payment	-	47	-	-	-	47	4	51
Purchase of treasury stock	-	-	(720)	-	-	(720)	-	(720)
Balance as of 31 December 2012	416	469,911	(76,275)	132	(251,346)	142,838	(344)	142,494

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

	Year ended 31 December		
	2014	2013	2012
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net (loss) income	(5,063)	(2,815)	886
Less - (loss) income from discontinued operations	-	181	(30)
(loss) income from continuing operations	(5,063)	(2,996)	916
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities :			
Depreciation and amortization	1,878	31	30
Loss on disposal of fixed assets	10	-	-
Employee benefit liabilities, net	(41)	-	-
Cost of share-based payment	1,172	14	51
Change in financial assets at fair value through profit or loss	2,589	432	(70)
Change in Investment fund designated at fair value through profit or loss	319		
Interest income	(1,627)	(1,863)	(2,040)
Interest expense on short term loan	7	86	-
Decrease in deferred tax	(706)	-	-
Taxes on income	1,135		-
Exchange rate differences on deposit and short term loan	(1,800)	(3,438)	-
Gain from sale of available for sale financial assets	(214)	-	-
Financial expenses from debentures	56	-	-
Finance expenses on financial liabilities	147	-	-
	2,925	(4,738)	(2,029)
Changes in asset and liability items:			
Decrease in inventories	1,552	-	-
Decrease in trade receivables	5,241	-	-
Decrease in receivables and prepaid expenses	(587)	494	35
Decrease in trade payables, other payables and accrued expenses	(948)	(1,468)	(3,103)
	5,258	(974)	(3,068)
Cash received during the year:			
Interest received	700	2,450	1,426
Interest paid	(275)	-	-
Income taxes paid	(1,706)	-	-
	(1,281)	(2,450)	1,426
Net cash provided by (used in) operating activities from continuing operations	1,839	(6,258)	(2,755)
Net cash provided by (used in) operating activities from discontinued operations	-	(189)	5
Net cash provided by (used in) operating activities	1,839	(6,447)	(2,750)

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

	Year ended 31 December		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Proceeds from sale of property and equipment	65	-	-
Purchase of property and equipment	(1,820)	(31)	(38)
Maturing of (investment in) short-term deposits, net	122,404	105,953	(122,000)
Withdrawal of (investment in) deposit held in trust	(37,954)	(118,253)	-
Purchase of financial assets at fair value through profit or loss	7,134	(13,352)	(15,133)
Acquisition of subsidiary (Note 5)	(62,088)		
Proceeds from sale of financial assets at fair value through profit or loss and available for sale financial assets	304	26,441	1,713
Net cash provided by (used in) investing activities from continuing operations	28,045	758	(135,458)
<u>Cash flows from financing activities</u>:			
Bank overdraft, net	(820)	-	-
Redemption of debentures	(3,397)	-	-
Purchase of treasury shares	(1,746)	(687)	(720)
Net cash used in financing activities from continuing operations	(5,963)	(687)	(720)
Exchange differences on balances of cash and cash equivalents	(1,553)	-	-
Net increase (decrease) in cash and cash equivalents	22,368	(6,376)	(138,928)
Cash and cash equivalents at the beginning of the year	2,957	9,333	148,261
Cash and cash equivalents at the end of the year	25,325	2,957	9,333
			-
(b) <u>Non-cash transactions</u>:			
Proceeds of short-term loan invested in deposit held in trust	-	18,393	-
Repayment of short-term loan from deposit held in trust	(18,727)	-	-
Purchase of property, plant and equipment on credit	160	-	-

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

NOTE 1:- GENERAL

a. B.S.D Crown Ltd. ("BSD" or "the Company") is a corporation registered in Israel. On 5 August 2014 the Company changed its name from Emblaze Ltd. to B.S.D Crown Ltd. The Company's shares are listed for trading on the Official List of the London Stock Exchange on the Standard List ("LSE") under the symbol BSD. The Company is active today mainly in the Import marketing and distribution of food products and intends to further explore business opportunities in various sectors

b. On 14 August 2013, BGI Investments (1961) Ltd. ("BGI") an Israeli public company registered for trading on the Tel Aviv Stock Exchange, along with its direct and indirect subsidiaries (the "BGI Group"), acquired 20.01% of the total issued shares of the Company and issued put options and purchased call options in respect of a further 19% of the issued shares of the Company (the "Options"). During September and October 2013, BGI Group assigned the Options to its controlling shareholder, Israel 18 B.V. (formerly-Chabad 770 B.V.) ("Israel 18").

Following the acquisition, on 14 August 2013, the chairmen of the Company’s board of directors as well as the majority of the directors were replaced and a new management team was appointed.

On 24 December 2013 the BGI Group made a tender offer (the "Offer") to holders of the Company's ordinary shares to acquire 5% of the voting right in the Company. On 28 January 2014 the Offer was successfully completed and the BGI Group purchased an additional 5% of the voting rights in the Company.

Following the success of the Offer, the Extended BGI Group is obligated (by Israel 18) to exercise the call options it has acquired. Upon the exercise of the call options, the Extended BGI Group will own shares, representing approximately 44% of the Company's issued shares (excluding dormant shares).

c. In May 2014 the Company completed the acquisition of a controlling stake (approximately 62%) of Willi-Food Investments Ltd. ("WFI") for an aggregate cash consideration of USD 82.3 million (the “Acquisition”). WFI and its subsidiaries are engaged in the import, marketing and distribution of a several hundred food products, mainly in Israel. See Note 5 for further details of the Acquisition. The financial statements of WFI and its subsidiaries (the “WFI Group”) have been consolidated in these consolidated financial statements from the date of the completion of the Acquisition in May 2014.

Due to the extent of the trading activities of the WFI Group that were acquired in relation to the existing activities of the Company and its subsidiaries (the “BSD Group” or “Group”), the Acquisition was deemed a reverse takeover under the listing rules of the UK Listing Authority (“UKLA”), and trading in the Company's shares was accordingly suspended on 3 March 2014 (the date the Company entered into the agreement for the Acquisition).

On 29 July 2014 the Company published a prospectus in connection with its reapplication for the listing of its entire issued share capital on the Standard segment of the Official List of the London Stock Exchange and for admission to trading on the London Stock Exchange main market for listed securities. The admission became effective on 4 August 2014.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the consolidated financial statements:

The accounting policies adopted are consistent with those of the previous years, except as described below:

1. Measurement basis:

The consolidated financial statements have been prepared on the historical cost basis, except for available for sale financial assets and financial assets at fair value through profit or loss which are measured at fair value.

2. Basis of preparation of the consolidated financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

3. Accounting policies adopted by the BSD Group as a consequence of the acquisition of the WFI Group:

As a consequence of the consolidation of the financial statements of the WFI Group, the following accounting policies relating to the activities of the WFI Group have been adopted:

- **Functional currency and presentation currency:**

The Group determines the functional currency of each Group entity, including companies accounted for at equity. The functional currency of the company is US Dollar. The functional currency of WFI Group is NIS.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognised in other comprehensive (loss) income.

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in the foreign operation and, accordingly, the exchange rate differences from these loans (net of the tax effect) are recorded, net of the tax effect, in other comprehensive (loss) income.

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognised in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognised in other comprehensive income is reattributed to non-controlling interests. Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

a. Basis of presentation of the consolidated financial statements: (Cont.)

3. Accounting policies adopted by the BSD Group as a consequence of the acquisition of the WFI Group (Cont.)

- **Business combinations and goodwill:**

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognising a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognised at fair value on the acquisition date and classified as a financial asset or liability in accordance with IAS 39. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss or in the statement of comprehensive income. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognises the resulting gain on the acquisition date.

- **Allowance for doubtful accounts:**

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful.

- **Inventories:**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling costs. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Purchased merchandise and products - using the weighted average cost method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

a. Basis of presentation of the consolidated financial statements: (Cont.)

3. Accounting policies adopted by the BSD Group as a consequence of the acquisition of the WFI Group (Cont.)

- **Leases:**

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

1. Finance leases:

Finance leases transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The leased asset is amortised over the shorter of its useful life or the lease term.

2. Operating leases:

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

- **Property, plant and equipment:**

Property, plant and equipment are measured at cost, including direct attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Land	2	
Buildings	4	
Motor vehicles	15-20	20
Office furniture and equipment	6-15	15
Computers	20-33	33
Mechanical equipment	10	

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

a. Basis of presentation of the consolidated financial statements: (Cont.)

3. Accounting policies adopted by the BSD Group as a consequence of the acquisition of the WFI Group (Cont.)

- **Intangible assets:**

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Expenditures relating to internally generated intangible assets, excluding capitalised development costs, are recognised in profit or loss when incurred.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives are not systematically amortised and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable.

If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortised systematically over its useful life.

The intangible assets are amortised over their estimated useful life as follows:

Customer relationships	9 years
Supplier relationships	5 years
Brands	7 years
Non-competition agreements	2 years (starting 2017, see Note 5 (3))

- **Impairment of non-financial assets:**

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognised in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

a. Basis of presentation of the consolidated financial statements: (Cont.)

3. Accounting policies adopted by the BSD Group as a consequence of the acquisition of the WFI Group (Cont.)

- **Impairment of non-financial assets: (Cont.)**

The following criteria are applied in assessing impairment of these specific assets:

Goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognised if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill.

Impairment losses recognised for goodwill cannot be reversed in subsequent periods. For testing the impairment of goodwill see note 5(5).

- **Share-based payment transactions:**

The Company accounts for share-based compensation in accordance with IFRS 2, "Share-Based Payment". The main impact of IFRS 2 on the Company is the expensing of employees' and directors' share options (equity-settled transactions).

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined by using the binomial method option-pricing model taking into accounts the terms and conditions upon which the instruments were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognised in profit or loss represents the change between the cumulative expense recognised at the end of the reporting period and the cumulative expense recognised at the end of the previous reporting period.

Cash-settled transactions:

The cost of cash-settled transactions is measured at fair value on the grant date using an acceptable option pricing model. The fair value is recognised as an expense over the vesting period and a corresponding liability is recognised. The liability is remeasured at each reporting date until settled at fair value with any changes in fair value recognised in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Basis of consolidation:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The effect of potential voting rights that are exercisable at the end of the reporting period is considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries have been applied consistently and uniformly with those applied in the financial statements of the Company. Significant intragroup balances and transactions and gains or losses resulting from transactions between the Company and the subsidiaries are eliminated in full in the consolidated financial statements.

Non-controlling interests in a subsidiary represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and each component of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

The disposal of a subsidiary that does not result in a loss of control is recognised as a change in equity. Upon the disposal of a subsidiary resulting in loss of control, the Company:

- derecognises the subsidiary's assets (including goodwill) and liabilities.
- derecognises the carrying amount of non-controlling interests.
- derecognises the adjustments arising from translating financial statements carried to equity.
- recognises the fair value of the consideration received.
- recognises the fair value of any remaining investment.
- reclassifies the components previously recognised in other comprehensive income on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognises any resulting difference (surplus or deficit) as gain or loss.

c. Cash and cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

d. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Financial assets:

Financial assets within the scope of IAS 39 are initially recognised at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the subsequent accounting and measurement of financial assets depends on their classification as follows:

1. Financial assets at fair value through profit or loss.
2. Available-for-sale financial assets
3. Loans and receivable.

1. The Group has classified all of its financial assets as follows:

a) Financial assets at fair value through profit or loss:

This category includes financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group’s documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

b) *Available-for-sale financial assets:*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments, except for interest and exchange rate differences that relate to debt instruments, are recognised in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive (loss) income is recognised in profit or loss.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

c) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortised cost less directly attributable transaction costs using the effective interest method and less any impairment losses.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Financial assets: (Cont.)

2. Fair value:

The fair value of financial instruments that are traded in an active market is determined by reference to market prices at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow or other valuation models.

3. Derecognition of financial assets:

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. Impairment of financial assets:

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of available-for-sale financial assets as follows:

For equity instruments classified as available-for-sale financial assets, the objective evidence includes a significant or prolonged decline in the fair value of the asset below its cost and evaluation of changes in the technological, market, economic or legal environment in which the issuer of the instrument operates.

The determination of a significant or prolonged impairment depends on the circumstances at the end of each reporting period.
Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost (less any previous impairment losses) and the fair value - is reclassified from other comprehensive income and recognised as an impairment loss in profit or loss. In subsequent periods, any reversal of the impairment loss is not recognised in profit or loss but recognised in other comprehensive income.

f. Revenue recognition:

Revenues are recognised in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Group acts as a principal and is exposed to the risks associated with the transaction, revenues are presented ongross basis. When the Group acts as an agent and is not exposed to the risks and rewards associated with the transaction, revenues are presented on a net basis. Revenues are measured at the fair value of the consideration less any trade discounts, volume rebates and returns.

Following are the specific revenue recognition criteria which must be met before revenue is recognised:

Revenues from the sale of goods:
Revenues from the sale of goods are recognised when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which ownership passes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Revenue recognition: (Cont.)

Revenues from sale of software

The Company recognises revenues from the sale of software only after the significant risks and rewards of ownership of the software have been transferred to the buyer for which a necessary, but not sufficient condition, is delivery of the software, either physically or electronically, or providing the right to use or permission to make copies, of

the software. When the stage of completion cannot be determined reliably, revenues are recognised on a straight-line basis over the agreement period.

Software arrangements generally contain multiple sale elements (software, integration, installation, upgrades, support, training, consultation etc.). The Company evaluates the arrangement's elements, including those delivered on a "when and if available basis", in order to determine if the elements can be separately identified.

Interest income:

Interest income resulting from cash deposits and financial assets is accounted for in accordance with the effective interest method used for recognising interest income for the respective period.

g. Taxes on income:

The tax results of current or deferred taxes are recognised in profit or loss, except to the extent that they refer to items which are recognised in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability payable in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rate that is expected to apply when the taxes are reversed in profit or loss or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilised. Temporary differences for which deferred tax assets had not been recognised are reviewed at the end of each reporting period and a respective deferred tax asset is recognised to the extent that their utilisation is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Taxes on income: (Cont.)

or since it is the Company's policy not to initiate distribution of dividends that would trigger an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

h. Treasury shares:

Company shares held by the Company and/or subsidiaries are recognised at cost and deducted from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognised directly in equity.

i. Employee benefits liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The Company operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that matches the estimated term of the benefit obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

Remeasurements, comprising of actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in accumulated deficit and are not reclassified to profit or loss in subsequent periods.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Provisions:

A provision in accordance with IAS 37 is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Company expects part or all of the expense to be reimbursed to the Company, such as in an insurance

contract, the reimbursement is recognised as a separate asset only when it is virtually certain that it will be received by the Company. The expense is recognised in profit or loss net of the reimbursed amount.

k. Research and development expenditures:

Development and research expenditures are recognised in profit or loss when incurred.

l. Discontinued operations:

Under the provisions of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" when a component of an entity, as defined in IFRS 5, has been disposed of or is classified as held-for-sale, the results of its operations, including the gain or loss on its disposal are classified as discontinued operations. Comparative data are restated as if the operation had been discontinued from the start of the earliest comparative period.

m. Financial liability for non- controlling interest put option:

Put options granted to the minority shareholders in subsidiaries in the Group, in a matter that these holders can obligate the Group to purchase their shares, are treated and presented in the consolidated financial statements of the Group as if they were exercised by the minority shareholders. Accordingly, the Group recognises a liability in the balance sheet at the present value of the expected redemption amount at the time of exercise of the options. Changes in the amount of the liability are recorded in profit or loss.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

a. In the process of applying the significant accounting policies, the Company has made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

1. Revenue recognition:

The Group recognised revenues from food product sales of NIS 210,115 thousand (approximately USD 58,210 thousand) in 2014. As part of the sale the Group gave certain customers a right to return the product. As a result, the Group recognised revenues from these sales with corresponding provisions for returns. Any 1% upward or downward change in the Group’s estimation will increase/decrease the Group’s revenues in the amount of NIS 2,101 thousand (approximately USD 582 thousand).

2. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1. Legal claims:

In estimating the likelihood of outcome of legal claims filed against the Group and its investees, the Group relies on the opinion of its legal counsels. These estimates are based on the legal counsels' best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2. Impairment of goodwill:

The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash generating unit (or group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. For testing the impairment of goodwill see Note 5(5).

3. Determining the fair value of share-based payment transaction:

The fair value of share-based payment transactions is determined using an acceptable option-pricing model. The model includes data as to the share price and exercise price, and assumptions regarding expected volatility, expected life, expected dividend and risk-free interest rate.

4. Useful life of property, plant and equipment:

The Group's management reviews the estimated useful life of terms of property, plant and equipment at the end of each reporting period. During the year to which these accounts relate, there were no changes in the estimates of the useful life of items of property, plant and equipment.

5. Employee benefits:

The present value of the Group's liability for retirement and pension plan to its employees is based on a large number of inputs, which are determined on the basis of an actual valuation, while using a large number of assumptions, including discount rate. Changes in the actuarial assumptions may affect the carrying amount of the Group's liabilities for retirement and pension payments. The Group estimates the discount rate once a year, based on the discount rate of Government bonds. Other key assumptions are determined based on market conditions and the Group's past experience. For additional information about the assumptions used by the Group, see Note 17.

6. Useful life of intangible assets:

The intangible assets are amortised over their estimated useful life as follows:

Customer relationships	9 years
Supplier relationships	5 years
Brands	7 years
Non-competition agreements	2 years (starting 2017, see Note 5 (3))

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, " Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortised cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognised in profit or loss or in other comprehensive (loss) income, in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair values of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.
IFRS 9 also prescribes new hedge accounting requirements.
IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

b. Amendments to IAS 16 and IAS 38 regarding acceptable methods of depreciation and amortisation:
In May 2014, the IASB issued Amendments to IAS 16 and IAS 38 (the "Amendments") regarding the use of a depreciation and amortisation method based on revenue. According to the Amendments, a revenue-based method is not considered to be an appropriate manifestation of consumption since revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

As for intangible assets, the revenue-based amortisation method can only be applied under certain circumstances such as when it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated.
The Amendments will be applied prospectively in the financial statements for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The Company believes the effect on the financial statements of the adoption of the Amendments will be immaterial.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

c. IFRS 15, "Revenue from Contracts with Customers":

In May 2014, the IASB issued IFRS 15 ("IFRS 15").

IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real

Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".
The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

Step 1: *Identify the contract with a customer*, including reference to contract combination and accounting for contract modifications.
Step 2: *Identify the separate performance obligations in the contract*
Step 3: *Determine the transaction price*, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.
Step 4: *Allocate the transaction price to the separate performance obligations* on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.
Step 5: *Recognise revenue when the entity satisfies a performance obligation* over time or at a point in time.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of the comparative periods will be required as long as the disclosures regarding prior periods required by IFRS 15 are included.
The Company is evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

d. IFRS 8 operating segments (Disclosures about aggregation of operating segments)

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. These amendments are effective for annual periods beginning on or after 1 July 2014

e. Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements.

NOTE 5:- ACQUISITION OF SUBSIDIARIES

Share purchase agreement

1. On 2 March 2014, the Company entered into an agreement (the “WFI Agreement”) to acquire from Zwi Williger ("ZW") and Joseph Williger ("JW" and, together with ZW, the "Sellers") a controlling stake in the share capital of Willi-Food Investments Ltd. ("WFI"), a company listed on the Tel Aviv Stock Exchange, which in turn owned at the time of the Acquisition approximately 58% of G. Willi-Food International Ltd ("WFINT" and together with WFI, "Willi-Food"), a company listed on NASDAQ and today owns approximately 60% of the shares of WFINT (the above-defined "Acquisition"). WFI operates in import, marketing and distribution of several hundred food products mainly in Israel.

   Under the WFI Agreement, the Company: (i) acquired the Sellers’ entire shareholdings in WFI (part of which were acquired through a special tender offer as set out below), amounting in aggregate to 58% of the shares of WFI (or approximately 55% on a fully diluted basis) at the time of the acquisition; and (ii) published a special tender offer (the “Special Tender Offer”) addressed to all shareholders of WFI (including the Sellers) in accordance with Israeli Companies Law in order to acquire shares carrying 5% of the voting rights in WFI. The Special Tender Offer was completed on 1 May 2014 and the Acquisition completed on 4 May 2014.

   Following such completion, the Company acquired in aggregate 61.65% of the issued share capital of WFI (62.27% of its voting rights on a fully diluted basis), for aggregate cash consideration of NIS 284.7 million (USD 82.3 million). Upon the Acquisition, the Company nominated directors which comprise the majority of the board of directors of both WFI and WFINT.

2. Under the WFI Agreement, the Company granted the Sellers a put option to sell all or some of their shares in WFINT (whether held (3.89%) on the date of the WFI Agreement or those which they may hold following the exercise of employee options in WFINT) which amount to a further approximately 7% of the shares of WFINT on a fully diluted basis (the “WFINT Put Option Shares” and the “WFINT Put Option” respectively). The WFINT Put Option is exercisable by the Sellers for a period of four years and one month commencing eleven months from 2 March 2014, at a price of USD 12 per share. The put option exercise price is subject to adjustment for dividends bonus, shares and rights issues by WFINT. The Company was granted a power of attorney which enables it to procure the Sellers to sell their WFINT shares to a third party at a price per share not below USD 12, subject to compliance with applicable laws, during the WFINT Put Option exercise period. The power of attorney may be cancelled by the Sellers at any time during that period, although such cancellation would lead to the immediate cancellation of the WFINT Put Option in respect of such WFINT Put Option Shares. The Sellers granted the Company an irrevocable proxy with respect to their holdings in WFINT, so as to allow the Company to vote such shares at shareholders' meetings of WFINT during the period commencing on completion of the Acquisition and expiring on the exercise or expiry of the WFINT Put Option.

   As part of the consideration for the acquisition, the Company recorded a liability for the WFINT Put Option, see 4(a) below.
   The WFI Agreement modified the terms of the unvested employee options held by the Sellers, by ensuring the sale price of the shares which will derive from the exercise of the unvested employee options. On the date of the Acquisition, the fair value of the modification for the entire vesting period (three years) of the options amounted to USD 1.4 million, based on a calculation prepared by an independent valuation specialist.

NOTE 5:- ACQUISITION OF SUBSIDIARIES (Cont.)

Share purchase agreement (Cont.)

2. (cont.)

In the 12 months ended 31 December 2014, the Company recorded in profit or loss share-based payment expense of USD 755 thousands (in addition to the expense recorded in WFI in the amount of USD 407 thousands).

Acquisition of subsidiaries As of 31 December 2014, the liability recorded in the statement of financial position for the put option in respect of the vested portion of these employee options amounted to USD 1,194 thousand. On March, 2015 ZW and JW exercised 133,334 employee options. For more details see Note 26(b).
On 4 March, 2015, the Company received notification from ZW and JW of their intention to exercise the WFINT Put Option in respect of 637,741 shares of WFINT in the total amount of USD 7.6 Million. The Company exercise 133,334 shares of WFINT put option in total amount of USD 1.6 million on 23 and 24 March, 2014.

3. Under the WFI Agreement, the Sellers agreed to continue to be engaged by WFINT as chairman of the board of WFINT (in respect of Zvi Williger) and president of WFINT (in respect of Joseph Williger), or as joint chief executive officers of WFI, for an additional period of three years commencing upon completion of the Acquisition (May 2014). On 21 August 2014, the extension of the agreements between the parties for another period of three (3) years (until 21 August 2017) was approved at WFINT's annual general meeting. Subject to further agreement between the parties and to applicable law, the Sellers may continue their respective engagement following such period.

Acquisition of subsidiaries addition, each of the Sellers is prohibited from competing against Willi-Food in any material way, subject to certain agreed exceptions, for an additional period commencing on the termination of his respective engagement with WFINT and terminating on the later of two years from such termination, or four years from completion of the Acquisition, but not longer than five (5) years from the completion date. It should be noted that the Company withdrew its application regarding the approval of the Israeli Anti-trust Authorities to extend the non-competition period to six years from the completion date. In consideration of such non-compete undertakings, each of the Sellers is entitled to an additional annual payment of NIS 1.5 million (approximately USD 0.4 million) following termination of his respective engagement, to be paid by the Company and subject to applicable law.

4. Acquisition of subsidiaries:

The Company accounted for the Acquisition as a Acquisition of subsidiaries and began consolidating the financial statements of WFI from the completion date of the Acquisition on 4 May 2014.

a. <u>Consideration for Acquisition</u>

	U.S. dollars in thousands
Cash paid	82,342
Liability for non-controlling interest put option (a)	5,945
Liability for non-competition payments (b)	1,555
	89,842

(a) As described in Note 2 above, the Company has granted Sellers a put option to sell up to 504,407 shares of WFINT. The put option is exercisable for a period of four years and one month, commencing eleven months after 2 March, 2014 at a price of USD 12 per share. The liability reflects the present value of the amount payable assuming exercise at the earliest permissible date of all the shares subject to the put option discounted at an annual rate of 2%.

NOTE 5:- ACQUISITION OF SUBSIDIARIES (Cont.)

4. Acquisition of subsidiaries (Cont.)

(b) The liability for non-competition payment reflects the present value of an annual payment of NIS 1.5.million (USD 0.4 million to each of the two former controlling shareholders of WFI), for a period of two years subsequent to the termination of their service agreements with the Group.

(c) Cash outflow/inflow on the *acquisition:*

	U.S. dollars in thousands
Cash and cash equivalents acquired with the acquiree at the acquisition date	20,254
Cash paid	(82,342)
Net cash	(62,088)

Transaction costs of approximately USD 170 thousand that are directly attributable to the Acquisition were recorded in profit or loss.

b. The Company has elected to measure the non- controlling interests in WFI at fair value. The fair value of the non- controlling interest in WFI is based on the quoted market price of the shares of WFI and WFINT on the completion date.

The fair value of trade receivables at the Acquisition date approximate their carrying amounts.

The fair value adjustments detailed below are based on a purchase price allocation study prepared by an independent valuation specialist as of the date of the Acquisition. The purchase price allocation was prepared on the basis of an acquisition of 100% of the net assets of WFI Group. Deferred tax liability is recorded in respect of those fair value adjustments that result in taxable temporary differences.

	U.S. dollars in thousands
Total consideration	89,842
Fair value of net assets acquired	137,991
Non-controlling interests	(73,516)
	64,475
Goodwill	25,367

NOTE 5:- ACQUISITION OF SUBSIDIARIES (Cont.)

4. Acquisition of subsidiaries (Cont.)

The fair value of the identifiable assets and liabilities of WFI opening balances:

	U.S. dollars in thousands
Cash and cash equivalents	20,254
Financial assets at fair value through profit or loss	59,481
Trade receivables	30,538
Other receivables and prepaid expenses	1,004
Investment in a fund designated at fair value through profit or loss	4,390
Inventories	15,479
Property, plant and equipment, net	14,480
Prepaid expenses	9
Intangible assets:	
Customer relationships	6,577
Supplier relationships	3,914
Brands	1,800
Non-competition agreements *)	1,375
	159,301
Short-term bank debt	834
Current maturities of debentures	3,707
Trade payables	6,311
Other accounts payable and deferred revenues	862
Income tax liability	129
Employee benefit liabilities, net- short term	620
Employee benefit liabilities, net- long term	175
Debentures	4,011
Deferred taxes	4,661
	21,310
	137,991

*) The fair value of the non-competition agreements was based on a non-competition period of two years commencing three years after the Acquisition date as the individuals subject to the non-competition agreements have management service agreements with WFI Group (subject to shareholder approval) for a period of three years from the date of the Acquisition. The non-competition agreements are not amortised while the individuals subject to these agreements are providing services to the WFI Group due to the fact that according to their agreements and the Israeli Companies Law, they are prohibited from competing with WFI's business while serving as officers of WFI.

c. Fair value adjustment on acquisition:

The intangible assets are amortised over their estimated useful life (see Note 2(a)(3)).

	U.S. dollars in thousands
Property plant and equipment	2,371
Customer relationship	6,577
Supplier relationship	3,914
Brands	1,800
Non- competition agreements	1,375
Good will	25,367
Debentures	(337)
Deferred taxes	(4,161)
	36,906

NOTE 5:- ACQUISITION OF SUBSIDIARIES (Cont.)

4. Acquisition of subsidiaries (Cont.)

From the date of Acquisition, WFI has contributed USD 58 million of revenue and USD 1.1 million (after fair value adjustments) to the net income of the BSD. If the Acquisition had taken place at the beginning of the year 2014, consolidated revenues would have been USD 92 million and the net income would have been USD 4 million (after fair value adjustments).

5. Goodwill

	Year ended 31 December 2014
	US Dollars In thousands
Balance at beginning of year	-
Acquisition of subsidiaries	25,367
Effect of changes in foreign exchange rates	(2,811)
Balance at the end of year	22,556

a. Testing the impairment of goodwill

As of 31 December 2014, the balance of goodwill allocated to the activity of importing, marketing and distributing food products (the “Willi-Food transaction") totals USD 22,556 thousand. In view of the existence of indicators of impairment consisting mainly of: a significant decrease in the market value of the shares of Willi-Food Investments from the date of the Company's investment therein (May 2014) and the state of the Israeli food industry, as of 31 December 2014, the Company calculated the recoverable amount of the cash-generating unit to which the goodwill was allocated, based on the DCF method. The recoverable amount was determined based on the value in use by an independent appraiser. Since the recoverable amount of the cash-generating unit exceeds its carrying amount, including goodwill no impairment was recognised in respect of the goodwill. In determining the recoverable amount, the Company used the following main assumptions:

- Projected cash flows for a period of 5 years.
- Pre-tax discount rate of 13.8% (10.5% after taxes).
- The projected cash flows take into account an annual permanent growth rate of 2%.

NOTE 6:- CASH AND CASH EQUIVALENTS

	31 December		
	2014	2013	2012
	U.S. dollars in thousands		
Cash	9,074	2,955	2,075
Cash equivalents – deposits	16,251	2	7,258
Cash and cash equivalents	25,325	2,957	9,333

NOTE 7:- SHORT-TERM DEPOSITS

a. Short-term deposit

	Annual interest rate (1)	31 December		
		2014	2013	2012
	%	U.S. dollars in thousands		
Short term deposits:				
In US dollars (2)	3.7	53,903	16,165	122,127
In NIS (3)		293	77	68
		54,196	16,242	122,195

(1) The above interest rates are the weighted average rate as of 31 December 2014.

(2) Includes deposit held in trust for examination of investments in the amount of USD 2,203 thousand, amount of USD 51,700 thousand deposits in foreign banks outside Israel. See also, Note 19(c)(3).

(3) Includes deposit as security for bank guarantee, see Note 18(a).

b. Short-term deposit held in trust

In connection with the proposed acquisition to acquire a controlling stake in IDB Holding Ltd in August 2013, there were two deposits held in trust as follows:

(1) Balance of USD 121,691 thousand- The Company deposited in August 2013 approximately USD 118 million in an interest-bearing (annual rate of 1.1%), bank deposit. The Company's proposal was rejected in December 2013, and in January 2014 the deposit was returned to the Company. For most of the period from September 2013 until mid-December the deposit was denominated in New Israeli Shekel ("NIS"). Financing income (interest and exchange rate differences) on the deposit amounted to USD 3,770 thousand in the period ended 31 December 2013.

(2) Balance of USD 18,727 thousand- The deposit (in NIS) was deposited in trust by one of the investors in the consortium. In consideration for the deposit, a subsidiary of the Company was obligated to repay the NIS amount deposited to the investor with interest at an annual rate of 5%, compounded until the date of repayment, plus linkage to the Israeli Consumer Price Index. In January 2014 subsequent to the rejection of the proposal, the deposit was returned to the investor and the loan was thereby repaid. Financing expenses on the loan, net of financing income on the deposit, amounted to USD 86 thousand in the period ended 31 December 2013.

NOTE 8:- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Non-derivative financial instruments at fair value through profit or loss:			
Shares	6,127	-	-
Government loan and other bonds	19,160	-	13,360
Certificate of participation in mutual funds	17,437	-	-
	42,724	-	13,360
Investment in a fund designated at fair value through profit or loss	3,582	-	-

NOTE 9:- TRADE RECEIVABLES

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Open accounts *)	16,347	30	175
Credit card companies	39	-	-
Checks receivable	5,926	-	-
	22,312	30	175
Less - allowance for doubtful accounts	(11)	-	-
	22,301	30	175

*) Less provision for returns of approximately USD 386 thousand

The average credit period on sales of goods is 86 days.

Before accepting any new customer, the Group assesses the customer's credit quality and defines credit limits. Limits attributed to the Group's customers are reviewed annually or more frequently based on new information received and compliance with payment of past debts. 99% of the Group's customers complied with their credit limits.

Of trade receivables balance as of December 31, 2014, NIS 12,576 thousand (approximately USD 3,234 thousand) are due from major customers. The Group does not have other customers who represent more than 10% of the total balance of trade receivables as of December 31, 2014.

NOTE 10:- OTHER RECEIVABLES AND PREPAID EXPENSES

	31 December		
	2014	2013	2012
	U.S. dollars in thousands		
Prepaid expenses	648	200	590
Accrued interest receivable (1)	1,407	218	966
Government authorities	501	28	99
Income tax receivables	413	-	-
Advances to suppliers	334	-	-
Other (2)	181	76	137
	3,484	552	1,792

(1) Includes USD 1,091 thousand for bank deposits accrued interest receivable
(2) Includes USD 19 thousands related parties receivable

NOTE 11:- INVENTORIES

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Finished products	11,230	-	-
Merchandise - products in transit and prepayments	1,272	-	-
	12,502	-	-

NOTE 12:- PROPERTY, PLANT AND EQUIPMENT, NET

	Building and land	Motor vehicles	Office furniture and equipment	Computers	Mechanical equipment	Leasehold improvements	Total
	U.S. dollars in thousands						
Cost:							
Cost at January 1, 2014	-	-	31	317	-	12	360
Acquisition of subsidiaries	15,860	3,396	392	1,098	973	121	21,840
Purchases	1,332	323	35	91	38	1	1,820
Disposals	(62)	(359)	(5)	(4)	-	(10)	(440)
Adjustment arising from translating financial statements of foreign operations	(1,618)	(381)	(45)	(126)	(111)	(13)	(2,294)
Cost at December 31, 2014	15,512	2,979	408	1,376	900	111	21,286
Cost at January 1, 2013	-	-	28	289	-	12	329
Purchases	-	-	3	28	-	-	31
Disposals	-	-	-	-	-	-	-
Cost at December 31, 2013	-	-	31	317	-	12	360
Cost at January 1, 2012	-	-	22	257	-	11	290
Purchases	-	-	6	32	-	1	39
Disposals	-	-	-	-	-	-	-
Cost at December 31, 2012	-	-	28	289	-	12	329
Accumulated depreciation:							
Accumulated depreciation at January 1, 2014	-	-	17	273	-	3	293
Acquisition of subsidiaries	3,321	2,504	229	936	358	12	7,360
Depreciation expense	336	289	5	47	82	3	762
Depreciation expenses on disposals	(1)	(205)	(2)	(3)	-	(3)	(214)
Adjustment arising from translating financial statements of foreign operations	(368)	(290)	(26)	(105)	(47)	(2)	(838)
Accumulated depreciation at December 31, 2014	3,288	2,298	223	1,148	393	13	7,363
Accumulated depreciation at January 1, 2013	-	-	15	245	-	2	262
Depreciation expenses	-	-	2	28	-	1	31
Accumulated depreciation at December 31, 2013	-	-	17	273	-	3	293
Accumulated depreciation at January 1, 2012	-	-	11	219	-	1	231
Depreciation expenses	-	-	4	26	-	1	31
Accumulated depreciation at December 31, 2012	-	-	15	245	-	2	262
Depreciated cost:							
At December 31, 2014	12,224	681	185	228	507	98	13,923
At December 31, 2013	-	-	14	44	-	9	67
At December 31, 2012	-	-	13	44	-	10	67

NOTE 13:- DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

a. The Company owns 61.65% equity shares of WFI. The Company has the power to appoint and remove the majority of the board of directors of WFI. The relevant activities of WFI are determined by the board of directors of WFI based on simple majority votes. Therefore, the directors of the Company concluded that the Company has control over WFI and WFI is consolidated in these financial statements.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
				U.S. dollars in thousands			
WFI	Israel	38.35%	-	530	-	64,890	-

b. Summarised financial information respect to WFI:

	December 31, 2014	December 31, 2013
	U.S. dollars in thousands	
Current assets	111,031	126,218
Non-current assets	47,489	12,326
Current liabilities	17,620	11,834
Non-current liabilities	4,830	4,106
Equity attributable to owners of the Company	71,180	79,232
Non-controlling interests	64,890	43,372

	December 31, 2014	December 31, 2013
	U.S. dollars in thousands	
Revenue	92,067	93,255
Profit (loss) for the year	5,289	14,995
Net cash inflow from operating activities	6,137	997
Net cash inflow from investing activities	11,673	7,055
Net cash outflow from financing activities	5,581	(12,106)
Net cash inflow (outflow)	12,229	(4,053)

NOTE 14:- CURRENT MATURITIES OF DEBENTURES

a. On January 3, 2010, WFI published a shelf offering report (the "shelf offering report") under a shelf prospectus which WFI published on November 29, 2009 (the "shelf prospectus") for the issuance of 65,100,000 par value of debentures (series D) to the public at par value. Debentures (series D) are redeemable (principal) in five (5) equal annual payments payable on December 1 of each of the years 2011 to 2015 (inclusive). Debentures (series D) bear annual interest at variable rate to be determined on the basis of the annual interest of "Government Bond 817" plus an annual interest of 3%. Interest on debentures (series D) is payable from March 1, 2010 to December 1, 2015 in four payments in each calendar year; on March 1, June 1, September 1 and December 1 of each year for the three (3) months period ending on the day which preceded the payment date.

b. During 2014, the WFI paid NIS 13,020 thousand (approximately USD 3,397 thousand) par value of debentures (series D) in consideration of the payment of NIS 13,020 thousand (approximately USD 3,348 thousand) which also includes the WFI Group's share (approximately USD 52 thousand). Also, interest of NIS 656 thousand (approximately USD 180 thousand) was paid on the series (including the WFI Group's share).

c. As for the fair value of debentures, see Note 19.

NOTE 15:- TRADE PAYABLES

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Open accounts	3,630	699	268
Checks payable	561	-	-
	4,191	699	268

The average credit period on purchases of goods is 16 days. The Group manages a program according to which all payables are paid within the pre-agreed credit term.

NOTE 16:- OTHER ACCOUNTS PAYABLE AND DEFERRED REVENUES

	December 31		
	2014	2013	2012
	U.S. dollars in thousands		
Deferred revenues	392	28	1,211
Accrued expenses	1,715	1,520	1,729
Related parties (*)	800	63	-
Interest payable	9	-	-
Government authorities	340	-	-
Customer advances	342	-	-
Other	408	97	643
	4,006	1,708	3,583

(*) See Note 24

NOTE 17:- EMPLOYEE BENEFITS LIABILITIES

a. Composition:

	December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Post-employment benefits under defined benefit plans: (See Note b below)			
Accrued severance pay and retirement compensation	199	40	34
Short-term employee benefits: (See Note c below)			
Salary, related expenses and social contributions	484	171	458
Short-term absence compensation and recreation	305	111	300
	789	282	758
Employee benefit liabilities:			
Current	789	282	758
Non-current	199	40	34
	988	322	792

b. Short-term employee benefits:

(1) Paid annual leave:

In accordance with the Annual Leave Law, 1951, Company employees are entitled to several leave days per each working year. According to the above law (and addendums determined in personal contracts between the Company and several employees), the leave days due to an employee during the year is established based on the number of years of employment of that employee.

The employee may use leave days based on the employee's needs and with the Company's consent and to accumulate the remaining unused leave days based on the employee's personal employment contract. Employees who cease employment before using the balance of leave days are entitled to payment for the above balance of leave days.

The balance of the Group's leave fund is in accordance with the leave entitlement of each individual employee, according to the personal contract with the company to which the employee belongs and based on the employee's salary. The balance of the Group's leave fund as of December 31, 2014 is USD 268 thousand (2013 - USD 111 thousand; 2012 - USD 300 thousand).

(2) Paid sick leave:

In accordance with the Sick Pay Law, 1976, the Company's employees are entitled to 18 sick days per year (1.5 sick days per month). Sick days may be used only with a medical confirmation of an employee's illness. Employees who cease employment before using the sick days due to the employees are not entitled to payment for the above balance of sick days and, therefore, such provision is not recorded in the Company's books.

NOTE 17:- EMPLOYEE BENEFITS LIABILITIES (Cont.)

c. Post -employment benefits:

1. Changes in the defined benefit obligation and fair value of plan assets: 2014:

	Balance at 1 January 2014(*)	Transfer between companies	Acquisition of subsidiaries	Expenses recognised in profit or loss: Current service cost	Net interest expenses	Effect of changes in foreign exchange rates	Total expenses recognised in profit or loss for the period	Payments from the plan	Gain (loss) from Remeasurment in other comprehensive income: Actuarial gain (loss) arising from changes in financial assumptions	Actuarial gains arising from experience adjustments	Total effect on other comprehensive income for the period	Contributions by employer	Balance at 31 December 2014
	U.S. dollars in thousands												
Defined benefit obligation	(521)	(79)	(1,016)	(250)	(33)	178	(107)	242	(54)	71	17	-	(1,462)
Fair value of plan assets	436	77	841	-	7	(148)	(141)	(210)	(27)	-	(27)	287	1,263
Net defined benefit asset (liability)	(85)	(2)	(175)	(250)	(26)	30	(248)	32	(81)	71	(10)	287	(199)

2013:

	Balance at 1 January 2013	Expenses recognised in profit or loss: Current service cost	Net interest expenses	Effect of changes in foreign exchange rates	Total expenses recognised in profit or loss for the period	Payments from the plan	Gain (loss) from remeasurement in other comprehensive income: Actuarial gain (loss) arising from changes in financial assumptions	Total effect on other comprehensive income for the period	Contributions by employer	Balance at 31 December 2013
	U.S. dollars in thousands									
Defined benefit obligation	(535)	(91)	(12)	(44)	(147)	270	(109)	(109)	-	(521)
Fair value of plan assets	501	-	13	33	46	(235)	12	12	112	436
Net defined benefit asset (liability)	(34)	(91)	1	(11)	(101)	35	(97)	(97)	112	(85)

(*) Including USD 45 thousand in current liabilities

NOTE 17:- EMPLOYEE BENEFITS LIABILITIES (Cont.)

c. Post-employment benefits: (cont.)

1. Changes in the defined benefit obligation and fair value of plan assets:

2012:

	Expenses recognised in profit or loss					Gain (loss) from remeasurement in other comprehensive income			
	Balance at 1 January 2012	Current service cost	Net interest expenses	Effect of changes in foreign exchange rates	Total expenses recognised in profit or loss for the period	Payments from the plan	Actuarial gain (loss) arising from changes in financial assumptions	Total effect on other comprehensive income for the period	Contributions by employer	Balance at 31 December 2012
	U.S. dollars in thousands									
Defined benefit obligation	(384)	(128)	(19)	(5)	(152)	7	(6)	(6)	-	(535)
Fair value of plan assets	363	-	18	5	23	(5)	(26)	(26)	146	501
Net defined benefit asset (liability)	(21)	(128)	(1)	-	(129)	2	(32)	(32)	146	(34)

NOTE 17:- EMPLOYEE BENEFITS LIABILITIES (Cont.)

c. Post-employment benefits: (Cont.)

2. According to the labour laws and the Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

   Defined benefit plans:
   The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognised and for which the Group deposits amounts in qualifying insurance policies.

3. Plan assets:
   Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

4. Plan assets (liabilities), net:

	31 December		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
Defined benefit obligation	(1,462)	(521)	(535)
Fair value of plan assets	1,263	436	501
Total liabilities, net	(199)	(85)	(34)
Presented in current liabilities	-	(45)	-
Presented in non-current liabilities	(199)	(40)	(34)
	(199)	(85)	(34)

5. The principal assumptions used in defined benefit plan:

   a. For BSD

	31 December		
	2014	**2013**	**2012**
		%	
Discount rate of the plan liability	2.18	2.14	3.21
Rate of increase in the Israeli CPI	1.14	2.16	2.6
Expected rate of return on plan assets	2.59	2.66	3.6
Expected salary increases	2	2	2
Employee turnover rate	20	20	*)

*) Employee turnover rates are 20% for all periods of service (2012 - employee turnover rates are 20%, 15%, for period of service of one year and above one year, respectively).

NOTE 17:- EMPLOYEE BENEFITS LIABILITIES (Cont.)

c. Post-employment benefits: (Cont.)

5. The principal assumptions used in defined benefit plan: (Cont.)

b. For WFI

	2014
Discount rate of the plan liability	3.25
Rate of increase in the Israeli CPI	1.5
Expected rate of return on plan assets	1.5-3.5
Expected salary increases	4
Employee turnover rate	*)

*) Employee turnover rates are 35%, 30%, 20% for period of service of first year, second year and third year respectfully.

6. Pursuant to the position of the accounting staff number 21-1 of the Israel Securities Authority with regard to the existence of a deep market for corporate debentures, commencing from December 31, 2014, for purposes of capitalising the obligation with respect to employee benefits, the Group uses a capitalisation rate conforming to market yields on high quality government debentures. In prior reporting periods and during the current period, except for the calculation of the balance of the obligation as of December 31, 2014, the Group made use of a capitalisation rate conforming to market yields of government bonds. Accordingly, and in view of the rise in the capitalisation rate derived from this decision, in the reporting year, the Group recognized a reduction in the obligation with respect to a defined benefit plan, attributed to the rise in the aforementioned capitalization rate, in the amount of USD 121 thousand.

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

a. Guarantees:

The Company provided bank guarantees aggregating to USD 110 thousand as security for rent to be paid for their offices (2013- USD 77 thousands) . See note C below.

b. Legal proceedings:

1. Emblaze Mobility Solutions Limited ("EMSL"), the Company's subsidiary, was involved in a dispute with HM Revenue & Customs ("HMRC") regarding a decision made by HMRC to withhold Global Telecom Distribution Plc. ("GTD") of approximately £ 8.8 million (which is an equivalent of USD 13,719 thousand as at 31 December 2014) and to raise assessments against GTD of £345,000 (equivalent to USD 537 thousand as at 31 December 2014). These actions taken by HMRC were not specifically targeted at GTD but, rather, represent a part of the general measures applied by HMRC in controlling VAT fraud exposed within the wider mobile telephone handset sector in which GTD had operated.

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

b. Legal proceedings: (Cont.)

1. (Cont.)

As a result of the action taken by HMRC, GTD ceased its business activities and an Administrative Receiver was appointed over GTD in May 2007. In 2010, the First-Tier (Tax) Tribunal ruled in favor of EMSL and ordered HMRC to pay EMSL net withheld VAT input tax of £8.44 million. HMRC did not appeal the First-tier Tribunal order but did not pay EMSL as ordered. In 2011, EMSL therefore filed on

Application for Judicial Review in the High Court of Justice to receive payment ordered by the Tribunal but not paid by HMRC. In July 2011, the High Court of Justice ordered HMRC to make an immediate payment of the undisputed VAT reclaims, which the Company received. The Company recorded USD 4,114 thousand as other income, net of related expenses, in 2011. In May 2012, the High Court of Justice also ordered that HMRC pay EMSL the balance of sums withheld by HMRC of approximately £ 1.5 million (which was an equivalent of USD 2,400 thousand). As a result, the Company recorded USD 2,020 thousand as other income, net of related expenses, in 2012. EMSL thereafter pursued a separate legal action against HMRC’s decision not to pay to EMSL interest on the VAT sums successfully recovered. The Tribunal ruled in favor of EMSL in this case, on 15 July 2014.

In October 2014, EMSL received interest from HMRC of approximately £ 0.7 million (USD 1.2 million) net of estimated expenses. This net income included in the financial statements for the period ending 31 December 2014.
Legal proceedings are still ongoing in relation to EMSL's claim for costs and a claim for an award of interest at a compound rate.

2. The Company, and some of its past directors and officers, were named defendants in three separate claims, all in the context with the bankruptcy of Mr. Eli Reifman, one of the founders and a former director of the Company. As part of his fiduciary and regulatory obligations, Mr. Reifman was required to timely report to the Company of changes in his shareholding. All Mr. Reifman's reports were duly reported and reflected in the Company's annual and immediate reports, respectively. Mr. Reifman's creditors assert reliance on information provided by the Company with respect to his shareholding as was reported by him to the Company. Some of the claims were directed at the Company, and some also named part of its directors and officers as defendants, as detailed below:

   a. In April 2012, two of Mr Reifman’s creditors filed a claim (the “April 2012 Claim”) against attorneys who represented them in a transaction with Mr Reifman and as part of this claim, the two creditors also named the Company and several of its past directors, as well as a Company’s external legal adviser and its auditors, as defendants. The claim amounted to NIS 73.3 million (approximately USD 19.8 million current exchange rate). In June 2012, several creditors of Mr Reifman filed a claim against the Company, several of its past directors as well as against a Company’s external legal adviser and its auditors (the “June 2012 Claim”). Following the dismissal of the claims of certain such creditors, the outstanding aggregate value of the June 2012 Claim amounted to of NIS 81.8 million (approximately USD 22.1 million).

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

b. Legal proceedings: (Cont.)

2. (cont.)

b. In November 2012, two creditors of Mr. Reifman have filed a claim for NIS 30 million against the attorneys involved in their transactions with Mr. Reifman. The said attorneys submitted a third-party notification against numerous parties that were involved in the transaction, as well as against The Company and some of its directors and officers, asserting that they are to be indemnified in the event that the claim will be ruled against them. The third party claim was for a sum of NIS 7.6 million (approximately USD 1.9 million as of 31 December 2014). Defense was filed in January 2013. On 25 December 2014, the said attorneys also filed an application to join the Company as one of the defendants in the claim filed against them.

In October 2014 the Company has been informed that the Company and several of its past directors were joined as direct defendants by one of the creditors who filed the original claim, and that the aggregate amount claimed from the Company and said past-directors has been updated to NIS 22.4 million (approximately USD 6 million). Defense was filed in January 2015.

In October 2014, the Company entered into agreements to settle certain outstanding claims (the "Settlement Agreements"). Pursuant to the Settlement Agreements, following contributions from the Company's Directors and Officers Liability insurers, the Company has agreed to pay, without admitting to any legal liability, (i) NIS 1.975 million (approximately USD 0.5 million) in consideration of the full and final settlement of the April 2012 Claim; and (ii) NIS 4.2 million (approximately USD 1.2 million) in consideration of the full and final settlement of claims representing NIS 69.9 million (approximately USD 18.9 million) of the June 2012 Claim. The Company recorded USD 1.7 million as General and administrative expenses in 2014.

Subsequent to completion of the Settlement Agreements and the amendment of the claim as described above, the outstanding amounts pursuant to claims filed against the Company in respect of Mr Reifman, amount to approximately NIS 30 million (approximately USD 8.1 million).

The Company's legal advisors are of the opinion that the risks of success of these claims against the Company are remote.

c. At the request of the Administrator for Mr. Reifman's bankruptcy (who was later appointed as the Trustee to Mr. Reifman's bankruptcy), the Tel- Aviv District court issued an ex-parte temporary injunction on 6 September 2010, ordering the Company to withhold 27.75% of any dividend the Company may decide to distribute. Following an appeal filed by the Company, the Supreme Court cancelled the injunction on 29 November 2010, and limited the Company's responsibility only to timely notification in case of decision to distribute dividends. In February 2015, the Company received the consent of the Trustee to cancel the notification in case of decision to distribute dividends and has applied to the Supreme Court's approval of such cancellation on the basis of the parties' approval thereof

3. Claims for patent infringement filed by the company – see Note 21(c)(2).

4. The Company and/or its subsidiaries are involved in various legal disputes within the ordinary course of business. The Company's management is of the opinion that at this point the potential exposure of these disputes is immaterial.

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

c. Operating lease obligation:

Total rent expense for the years ended 31 December 2014, 2013 and 2012 amounted to USD 353 thousand, USD 330 thousand and USD 309 thousand, respectively.
In February 2014, the Company rented new offices under an operating lease agreement for a five year period. According to the contract, the minimum annual rent in the first year is NIS 319 thousand (USD 82 thousand) (with increases in the following years up to NIS 396 thousand (USD 102 thousand)).
In connection with this lease, the Company provided the lessor a bank guarantee in the amount of NIS 171 thousand (USD 44 thousand).
On November 2, 2014 as part of the Management Plan described in Note 24 the Company signed an Assignment Agreement with BGI pursuant to which the Company took over BGI's lease for a remaining period of three year. The minimum annual rent in the first year is NIS 528 thousand (USD 136 thousand) (with increases in the following years up to NIS 552 thousand (USD 142 thousand)).

In connection with this lease the Company provided a lessor bank guarantee in the amount of NIS 258 thousand (USD 66 thousand) and personal liability in the amount of USD 66 thousand from Mr. Schneorson, the Company's CEO.

d. Commitments regarding the import marketing and distribution of food products segments:

1. The Group has a liability to pay to certain customers incentives which, in part, are a percentage of total annual sales to such customer and, in part, are a percentage of purchases above an agreed volume of activity with respect to the entire year. The incentives are calculated for each customer specifically.
2. In June 1998, management service agreements were signed between the WFI Group and the related parties through companies they own (the "Management companies"). These agreements cancelled the employment agreements from April 1997. The agreements were for periods of four years starting April 1997 and renewed automatically for two additional periods of two years each. The management fees amounted to USD 24.5 thousand per month for each Management company. Further, according to the agreement, each Management company was entitled to an annual grant out of the consolidated profits before tax and payment of grants by WFI Group in that year (the "Fixed profit") as follows: if the Fixed profit is less than NIS 3 million - the grant will amount to 3% of the Fixed profit and if the Fixed profit is more than NIS 3 million - the grant will amount to 5% of the Fixed profit. This grant is payable for profits of WFI Group for 1998 and thereafter.
   On October 6 2011, the general meeting of WFINT approved these agreements in connection with the tenure of Mr. Zvi Williger as chairman of the board of directors of WFINT and Mr. Joseph Williger as a director and president of WFINT, including amendments to the agreements with them that have conditions that are similar to those approved by the general meeting of WFINT in March 2008 and convert mainly management fees from USD 24 thousand to NIS 102.9 thousand linked to the CPI from February 2008, except the early announcement of termination on WFINT part which was reduced to 18 months. The agreements with them were signed retroactively as from September 15, 2011 for periods of three years starting the date of approval of the general meeting of WFINT on October 6, 2011 On August 21, 2014 the general meeting of WFINT approved, after the approval in the remuneration committee and the board of directors of WFINT, these agreement for three more years.

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

d. Commitments regarding the import marketing and distribution of food products segments: (Cont.)

3. On April 1, 1997, the WFI signed an agreement with WFINT regarding receipt of management, administration, comptroller and bookkeeping services as well as offices that WFINT rented. According to the above agreement, starting June 1997, WFI pays WFINT a monthly amount of NIS 4.5 thousand (approximately USD 1.2 thousand) that is linked to the Israeli CPI of June 1997.

   On August 21, 2014, the general meeting of WFINT reapproved and ratified the above agreement, for period of three years

4. Generally the Group does not enter into written agency or other agreements with its suppliers. However, the Group has written agreements with 24 foreign suppliers that confirm that the Group is the exclusive agent and/or distributor of such suppliers in Israel either with respect to a specific product or, sometimes, with respect to a line of products they produce.

5. The liabilities to banks of WFI and its subsidiaries as of December 31, 2014 with respect to credit from bank, On Call loans, documentary credit and credit from suppliers with bank guarantees for importing food products in the amount of NIS 4,630 thousand (approximately USD 1,191 thousand) are secured by current liens on the share capital, goodwill, all the property of WFI and the insurance rights.

e. Provision for contingent liabilities regarding the import marketing and distribution of food products segments:

1. In December 2013, and December 2014 two claims and requests to approve them as class actions under the Class Actions Law, 2006 were filed against WFI whose issue and cause, as argued, are unlawful labeling of products imported and sold by WFI in a way that allegedly misleads the public of consumers. The plaintiffs seek to represent every resident of the State of Israel who purchased products of WFI. The amount of claims, if approved as class actions, was estimated by the plaintiff at approximately NIS 29.5 million (approximately USD 7.6 million). Considering the preliminary stage of the claims, the Company, based the opinion of its legal advisors cannot assess the risk inherited therein and, accordingly, no provision has been made in the financial statements.

2. In May 2013, the Municipality of Yavneh sent an amended municipal tax assessment to WFI for the year of 2013, according to which the area of its logistical center was increased and its classification was changed (hereafter in this subsection- “the amended municipal tax assessment”). The additional annual charge embodied in the amended municipal tax assessment is the amount of approximately NIS 160 thousand per year (approximately USD 41 thousand). Moreover, the municipality sent a retroactive charge to WFI with respect to the years 2008-2012 with respect to what was stated in the amended municipal tax assessment. In the estimation of the legal counsel of WFI, WFI possesses a high probability of causing the cancellation of the amended municipal tax assessment and the retroactive charge and, therefore, no provision was made in the financial statements with respect to the above.

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

e. Provision for contingent liabilities regarding the import marketing and distribution of food products segments: (Cont.)

3. In October 2013, WFI presented a claim to the Magistrates Court in Rishon Le'Zion against the Customs and Value Added Tax Department of the State of Israel, in the context of which it claimed that the court declare as void a charge issued by the Central Customs House to WFI, in which it was alleged that WFI did not add costs to food shipments for customs purposes that it had incurred for purposes of providing kosher certification to food products (hereafter in this subsection-"the notice of charge"). The amount of the customs demanded in the notice of charge is approximately NIS 150 thousand (approximately USD 39 thousand) for the seven years preceding the notice of charge. In the estimation of the legal counsel of WFI, WFI has a marginal probability to cause the cancellation of the notice of charge, and it, therefore, made a partial provision in the financial statements with respect to the notice of charge.

4. In August 2014, the Ashdod Customs House sent a notice of charge to a subsidiary of WFI in which it was laconically alleged that goods imported by the subsidiary of WFI were classified with an erroneous classification (hereafter in this subsection- "the notice of charge"). The amount of the customs demanded in the notice of charge is approximately NIS 1.9 million (approximately USD 0.5 million). In the estimation of the legal counsel of the subsidiary of WFI, in reliance on documents and facts presented to the Ashdod Customs House, the subsidiary of WFI possesses a high probability of causing the cancellation of the notice of charge and, therefore, no provision was made in the financial statements with respect to the notice of charge.

5. Claim of WF Kosher Food Distributors Ltd.

   (a) In August 2008, a claim was filed against WFINT in the New York Supreme Court in the amount of USD 143 thousand (an amount which was allegedly adjusted according to the length of the rental and which, pursuant to the claim, allegedly reached the amount of USD 735 thousand as of the end of the rental) with respect to an alleged guarantee of WFINT for the payment of rental fees for a warehouse and offices which WF Kosher Food Distributors Ltd. (hereafter-"WF"), a subsidiary of WFINT, allegedly rented for purposes of its operations from the owners of Laish Israeli Food Products Ltd. (hereafter-"Laish"), which sold its operations to WF at the beginning of 2007. In September 2008, WFINT presented a statement of defense. This claim was presented after WF had sued the owners of Laish, the former CEO of WF and others in the New York Supreme Court in July 2008 with respect to the damages caused to it, and as a result of which it was forced to shut down its operations, damages, part of which are connected to that rental agreement. During May 2014, a hearing on the mutual claims was held in the New York Supreme Court at which it was agreed, in a compromise achieved in light of the fact that the aforementioned court had nullified for technical reasons (primarily that the attorney who represented WFINT and WF did not transfer material to the attorney for the other party which he had requested prior to the hearing) the presentation of significant evidence in the trial which WFINT and WF had filed in the context of the preliminary procedures, essential for WFINT to defend against the counter claim against it and WF so as to prove its claim, that for the final and absolute settlement of the claims of the parties, WFINT will pay an amount, the vast majority of which has already been provided in the consolidated financial statements. Subsequent to the payment, made during the months of June-July 2014, the reciprocal claims were concluded.

NOTE 18:- COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Cont.)

e. Provision for contingent liabilities regarding the import marketing and distribution of food products segments: (Cont.)

5. Claim of WF Kosher Food Distributors Ltd. (Cont.)

(b) In September 2011, a monetary claim of NIS 211 thousand was filed against WFI and against Mr. Zwi Williger. The subject of the claim is allegations of a balance of a debt of WF vis-a-vis its Israeli supplier which supplied various products to WF. The statement of claim was also directed to WFI and to Mr. Zwi Williger due to their being controlling shareholders and/or shareholders of WF, it is alleged that, in the circumstances, the corporate veil should be pierced and WFI and Mr. Zwi Williger should be charged for the debts of WF, due to the misuse of the corporate veil by WF. WFI and Zwi Williger filed a statement of defense in June 2014, and in light of the court's recommendation, the claimant withdrew the statement of claim.

NOTE 19: - FINANCIAL INSTRUMENTS

a. Significant accounting policies:

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized for each category of financial assets, financial liabilities and equity instruments are disclosed in Note 2.

b. Categories of financial instruments:

	31 December		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
Financial assets:			
Cash and cash equivalents	25,325	2,957	9,333
Short- term deposits	54,196	156,660	122,195
Financial assets at fair value through profit or loss	42,724	-	13,360
Investment in fund designated at fair value through profit or loss	3,582	-	-
Available-for-sale financial assets	-	206	215
Trade receivables and other receivables	25,138	552	1,967
	150,965	160,375	147,070
Financial liabilities:			
Financial liability for non-controlling interest put option	7,217	-	-
Liability for non-competition payments	1,425	-	-
Credit from bank and others	-	18,813	-
	8,642	18,813	-
Financial liabilities measured amortised cost			
Debentures and interest payable on debentures	3,481	-	-
Employee benefit liabilities, net	988	322	792
Trade payable and other account payable	6,684	2,407	3,851
	11,153	2,729	4,643
	19,795	2,729	4,643

NOTE 19: - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks:

The Company and its subsidiaries are exposed to the following financial risks: market risk (foreign exchange risk) and credit risk. Risk management is carried out by the financial department policies approved by the board of directors and management.

1. Market risks:

The Group's activity exposes it mainly to financial risks of changes in foreign currency exchange rates and/or changes in the prices of the imported products and/or changes in interest rates. The Group enters into forward foreign exchange swap contracts, as needed, opens documentary credit to suppliers and carries out orders for imported goods.

During the reporting period, there has been no change in the exposure to market risks or in the manner in which the Group manages and measures the risk.

2. Foreign exchange risk:

The Company's functional currency is the U.S. dollar and its policy is to reduce exposure to exchange rate fluctuations by having most of its assets and liabilities, as well as most of the revenues and expenditures in U.S. dollars. However, salaries and related expenses are denominated in NIS and Sterling.

Furthermore most of the Group's purchases are made in foreign currency whereas most of the Group's sales are made in Israel in NIS. Consequently, large exposure to exchange rates fluctuations arises. The Group's policy is to minimise, to the extent possible, market risks of exchange rates and prices of imported commodities and, for that purpose, the Group opens large documentary credit to its foreign suppliers. The Group also takes, from time to time, measures to hedge against changes in exchange rates and it does this mainly by holding its excess cash in foreign currency and timely purchase of foreign currency.

During 2014, there has been no change in the exposure to currency risk or in the manner in which the Group manages and measures the risk.

The carrying amounts of the Group's foreign currency denominated monetary financial assets and liabilities are as follows:

	Assets			Liabilities		
	December 31,			December 31,		
	2014	2013	2012	2014	2013	2012
	U.S. dollars in thousands					
NIS	91,138	789	1,168	(12,532)	(1,453)	(1,527)
USD	68,831	140,401	144,591	(7,255)	(596)	(147)
Other	3,135	260	1,276	(1,121)	(651)	(1,569)

NOTE 19: - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks: (Cont.)

2. Foreign exchange risk (Cont.):

Foreign currency sensitivity analysis:

The Group's currency exposure is mainly to the USD and others that include mainly the Euro and GBP.
The following table details the sensitivity to a 10% increase and decrease in the relevant exchange rate. 10% is the sensitivity rate used when reporting to key management personnel in the Group and represents management assessment as to the reasonable potential change in exchange rates. Sensitivity analysis includes outstanding balances of foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates.

A positive number in the table indicates an increase in profit or loss or an increase in equity if the USD strengthens 10% against the relevant currency or a decrease in profit or loss or a decrease in equity if the USD weakens 10% against the relevant currency.

The impact of a 10% increase in the USD against other currencies before the tax effect:

	NIS impact			USD impact			Other impact *)		
	December 31,			December 31,			December 31,		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	U.S. dollars in thousands								
Profit or loss	7,861	(66)	(36)	6,158	(66)	(36)	201	(39)	(29)

*) Mainly Euro and GBP
The Group's sensitivity to foreign currency increased during the current year mainly due to the growth in credit from banks and suppliers that is linked to the exchange rates.

3. Credit risk

The Company holds cash and cash equivalents, and short-term deposits in various financial institutions. The Company's policy is to spread out its cash investments among the various institutions. Pursuant to the Company's policy, assessments are made on an ongoing basis regarding the relative credit strength of the various financial institutions. As of 31 December 2014 the Company has a short term deposit in the amount of USD 31.7 million in foreign bank which rated as B based on the Fitch rating published in November, 2013 and USD 20 million in foreign bank which rated as Ba3 based on the Moodys rating published in March, 2014

NOTE 19: - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks: (Cont.)

4. Interest risk:

The Group is exposed to interest risk because the Group companies borrow and lend at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and liabilities are described in the liquidity risk section of this note.

Interest rate sensitivity analysis:

The sensitivity analysis is determined on the basis of the exposure to interest rates of financial instruments at the end of the reporting period. A 5 basis point increase or decrease is used when reporting internally to key management personnel and represents management assessment as to the reasonable potential change in interest rates.

Assuming that interest rates had been 5 basis points higher/lower and all other variable held constant, the impact before tax would have been:

The Group's income for the year ended December 31, 2014 would increase/decrease by USD 81 thousand. This change is mainly attributable to changes in the fair value of the WFI’s debentures.

5. Other price risks:

The Group is exposed to price risks of - shares, mutual funds and bonds which are classified as financial assets held for trading (at fair value through profit or loss).

The carrying amount of investments exposed to price risks of shares, mutual funds and bonds is USD 46,306 thousand.

Sensitivity analysis to shares, mutual funds and bonds:

The sensitivity analysis below is determined on the basis of the exposure to price risks of - shares, mutual funds and bonds on the reporting date. If the prices of shares, mutual funds and bonds held had been 10% higher, the impact before tax would have been:

The income/loss as of December 31, 2014 would increase/decrease by USD 4,630 thousand as a result of changes in the fair value of shares, mutual funds and bonds held for trading.

The Group's sensitivity to the prices of the quoted securities has been changed significantly from previous year as a result of the change in the composition of the investment portfolio and the significant appreciation in the holdings of quoted securities during the year.

Exposure to the Israeli CPI:

The Group is exposed to cash flow risk in respect of changes in the Israeli CPI attributable to quoted securities that are linked to the Israeli CPI out of total investment portfolio.

The carrying amount of quoted securities exposed to changes in the Israeli CPI as of December 31, 2014 is USD 4,378 thousand

The impact of a 10% increase in the Israeli CPI on the profit or loss before tax would have been:

The income for the year ended December 31, 2014 would increase by USD 438 thousand.

NOTE 19: - FINANCIAL INSTRUMENTS (Cont.)

c. Management of financial risks: (Cont.)

6. Liquidity risk management:

1. Non-derivative financial liabilities:

The following tables detail the remaining contractual maturity for the Group's non-derivative financial liabilities. The tables have been prepared on the basis of undiscounted cash flows of financial liabilities by reference to the earliest date on which the Group may be required to repay them. The table includes both interest and principal flows.

	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total
	U.S. dollars in thousands				
2014					
Financial liability for non-controlling interest put option	-	-	7,884,	645	8,529
Liability for non-competition payments	-	-	-	1,425	1,425
Current maturities of debentures	-	-	3,481	-	3,481
Trade payables and other account payables	-	6,684	-	-	6,684
Employee benefit liabilities, net	-	-	789	199	988
	-	6,684	12,154	2,269	21,107
2013					
Credit from bank and others	-	18,813	-	-	18,813
Trade payables and other account payables	-	2,407	-	-	2,407
Employee benefit liabilities, net	-	-	282	40	322
	-	21,220	282	40	21,542
2012					
Trade payables and other accounts payable	-	3,851	-	-	3,851
Employee benefit liabilities, net	-	-	758	34	792
	-	3,851	758	34	4,643

2. Non-derivative financial assets:

The following tables detail the expected maturity for the Group's non-derivative financial assets. The tables have been prepared on the basis of undiscounted contractual maturities of the financial assets including interest that will be earned from these assets, except instances where the Group anticipates that the cash flow will occur at a different period.

	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total
	U.S. dollars in thousands				
2014					
Cash and cash equivalents	25,325	-	-	-	25,325
Short term deposits	-	54,196	-	-	54,196
Financial assets carried at fair value through profit or loss	7,804	11,358	10,407	13,269	42,838
Investment in fund designed at fair value through profit or loss	-	-	3,582	-	3,582
Trade receivables and other receivable	-	25,138	-	-	25,138
	33,129	90,692	13,989	13,269	151,079
2013					
Cash and cash equivalents	2,957	-	-	-	2,957
Short term deposits	-	156,660	-	-	156,660
Available for sale financial assets	-	-	206	-	206
Trade receivable and other receivable	-	236	-	-	236
	2,957	156,896	206	-	160,059
2012					
Cash and cash equivalents	9,333	-	-	-	9,333
Short term deposits	-	122,195	-	-	122,195
Financial assets carried at fair value through profit or loss	-	-	13,360	-	13,360
Available for sale financial assets	-	-	215	-	215
Trade receivable and other receivable	-	1,967	-	-	1,967
	9,333	124,162	13,575	-	147,070

The total unused credit as of the date of the statement of financial position is USD 9.7 thousand. The Group expects to meet its other obligations from its operating cash flows and proceeds of its financial assets.

NOTE 19: - FINANCIAL INSTRUMENTS (Cont.)

d. Fair value of financial assets and liabilities

1) Financial instruments that are not presented in the statement of financial position at fair value:

	Carrying amount	Fair value
	December 31, 2014	
	USD in thousands	
Financial liabilities:		
Debentures (*)	3,295	3,310

(*) Fair value is based on quoted prices in an active market at the end of the reporting period.

2) Fair value hierarchy:

The table below summarises financial instruments carried at fair value, using a valuation method in accordance with the fair value hierarchy level. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: input that are unobservable for the asset or liability.

	31 December 2014		
	Level 1	Level 2	Total
	U.S dollars in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	41,579	1,145	42,724
Investment in a fund designated at fair value through profit or loss	-	3,582	3,582
	41,579	4,727	46,306

	31 December 2014		
	Level 1	Level 2	Total
	U.S dollars in thousands		
Financial liabilities at fair value through profit or loss:			
Financial liability for non- controlling interest	-	(7,217)	(7,217)
Liability for non- competition payment	-	(1,425)	(1,425)
	-	(8,642)	(8,642)

	31 December 2013		
	Level 1	Level 2	Total
	U.S dollars in thousands		
Financial assets at fair value through profit or loss:			
Available-for-sale financial asset	-	206	206
Financial liabilities at fair value through profit or loss:			
Credit from bank and others	-	(18,813)	(18,813)

	31 December 2012		
	Level 1	Level 2	Total
	U.S dollars in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	13,360	-	13,360
Available-for-sale financial assets	-	215	215
	13,360	215	13,575

NOTE 20:- SHAREHOLDERS' EQUITY

a. Ordinary shares:

Ordinary shares confer upon their holders voting rights, the right to receive cash dividends, and the right to a share in excess assets upon liquidation of the Company.

Composed of Ordinary shares of NIS 0.01 par value, as follows:

	31 December		
	2014	2013	2012
	Number of shares		
Authorized	200,000,000	200,000,000	200,000,000
Issued	140,578,154	140,578,154	140,578,154
Outstanding	109,990,252	109,990,252	110,832,034

(1) On 30 October 2013 the Company’s shareholders approved (i) the transfer of the Company’s listing of ordinary shares from the category of a premium listing (commercial company) on the Official List and into the category of a standard listing on the Official List (effective as of 28 November 2013) and (ii) an amendment to the Company’s memorandum of incorporation (effective as of 20 November, 2013).

(2) As described in Note 1(c), trading in the Company's shares was temporarily suspended commencing March 3, 2014 until August 4, 2014.

b. Treasury stock:

During 2012, the Company purchased 923,898 of its own share through the market in consideration of approximately USD 720 thousand.

During 2013, the Company purchased 841,782 of its own share through the market in consideration of approximately USD 687 thousand including related expenses. The Company holds 30,587,902 of its shares in Treasury.

c. Employee stock option plans:

In 2001, the Company implemented the 2001 Global Stock Option Plan ("the 2001 Plan"). Under the 2001 Plan, 10,000,000 options to purchase Ordinary shares have been reserved for issuance. These options may be granted to the Company's employees, directors and consultants and vest evenly mainly either on an annual basis or semi-annual basis in equal portions over a period varying between two to four years, commencing on the date of grant. If not exercised, the options will expire on the tenth anniversary of the date of grant. Generally, the exercise price of these options may not be less than the fair market price of the shares at the date of grant. Any options that are either cancelled or forfeited before expiration become available for future grants.

On 11 September 2007, the Company's shareholders resolved to amend the Company's 2001 Plan such that the Board of Directors (the "Board") may grant employees of the Company options with an exercise price per share that is less than the fair market value of the shares on the date of approval of the grant, provided however that any such grant by the Board will be subject to the approval of the general meeting of shareholders.

On 21 February 2012, the Company's shareholders resolved to extend the term of the Company's 2001 Plan for additional 10 years effective from 1 July 2011.

The total number of options that is available for future grant was adjusted during previous years with the approval of the Company's shareholders.

The options were granted through trustee arrangement pursuant section 102 of the Israeli Income Tax Ordinance.

As of 31 December, 2014 all options were vested.

NOTE 20:- SHAREHOLDERS' EQUITY (Cont.)

d. Expenses recognised in the financial statements:

The expense recognised in the financial statements for employee services received is shown in the following table:

	31 December		
	2014	2013	2012
	U.S. dollars in thousands		
Total expense arising from share-based payment transactions	10	14	51

The share-based payment transactions that the Company granted to its employees are described below.

e. The following is a summary of the Company's stock options granted among the various plans:

	Year ended 31 December					
	2014		2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	802,650	1.25	961,400	1.34	1,015,100	1.33
Canceled or forfeited	(592,650)	1.33	(158,750)	1.59	(53,700)	1.59
Outstanding at the end of the year	210,000	1.05	802,650	1.36	961,400	1.36
Exercisable at the end of the year	210,000	1.05	665,150	1.46	657,650	1.67
Vested and expected to vest at year end	210,000	1.05	702,650	1.46	961,400	1.36

The following table summarises information about options outstanding and exercisable as of 31 December 2014:

	Options Outstanding and Exercisable	
Range of exercise price	Number Of Options	Weighted Average Remaining Contractual life (years)
$ 0.72	150,000	5.9
$ 1.13	20,000	2.7
$ 2.26	40,000	0.78
$ 1.05	210,000	

NOTE 20:- SHAREHOLDERS' EQUITY (Cont.)

f. WFI shareholder’s equity:

1. Share options granted according to employee option plan:

   For information about WFI’s employee option plan, see Note 24(d).

2. Issue of shares in a private placement:

   On November 25, 2013, the WFI’s board of directors approved the WFI’s agreement with classified investors that are listed in the first addendum to the Securities Law, 1968 ("the optionees") to carry out a material private placement to Optionees of 689,700 ordinary shares of the WFI of NIS 1 par value each (the "Offered shares") and of 689,700 unquoted options that are not transferrable to any third party and that are each exercisable into one ordinary share of WFI of NIS 1 par value.

   The price determined for each share offered in the allocation is NIS 29. The closing price of the WFI’s ordinary shares on the TASE on the day that preceded the publication of this report (namely, November 24, 2013) was NIS 27.67 per share. The price per share offered represents 104.8% of the closing price of the WFI’s share on the TASE on November 24, 2013.

   The fair value of the options Offered in this report was calculated using the Black & Scholes model. The economic value of each option offered in this report was approximately NIS 2.40.

   The options may be exercised over a period of two years (2 years) starting December 4, 2013, namely, through December 3, 2015 (inclusive) (the "Exercise period"). The Exercise price will be NIS 33 per share (the "Exercise price") and it is dividend adjusted (except dividend declared by WFI on November 6, 2013 for which the payment date was December 17, 2013). Also, the Exercise price is adjusted to bonus shares and rights issue. Options that will not be Exercised by the end of the Exercise period, will expire and not confer any other rights.

3. On November 13, 2014, the board of directors of WFI approved the acquisition of shares of WFI in an overall budget of up to US$ 5 million at a share price not to exceed the price of shareholders’ equity per share. The resolution became effective commencing on November 14, 2014. During the months of November and December 2014, 233,296 ordinary shares of NIS 0.1 par value were acquired in consideration of the amount of approximately US$ 1,691 thousand. As a result of these acquisitions, WFI increased its holdings in WFI shares to 59.97% of the issued and paid up equity of the WFINT.

NOTE 21:- ADITTIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

a. Cost of sales

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Transportation to warehouse and unloading containers	300	-	-
Maintenance, lease of warehouse and storage	823	449	525
Depreciation and amortisation	901	-	-
Other	319	-	-
	2,343	449	525
Decrease (increase):			
In inventories of products	785	-	-
Purchases	41,182	-	-
Total cost of sales	44,310	449	525

b. Selling expenses

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Expenses for employee benefits	2,344	72	328
Advertising and sales promotion	1,196	-	-
Transportation and maintenance	1,933	-	-
Vehicle maintenance	875	-	-
Depreciation and amortisation	867	-	-
Other	786	62	472
	8,001	134	800

c. General and administrative expenses

	Year ended 31 December		
	2014	2013	2012
	U.S. dollars in thousands		
Payroll and related expenses (1)	4,823	1,247	1,046
Legal intellectual property expenses (2)	1,782	2,240	174
Expenses relating to proposed investment	307	1,977	-
Rent and office maintenance (3)	356	342	309
Consulting (5)	2,323	669	681
Expenses relating to claims settlements (4)	2,061	-	-
Depreciation and amortisation	110	15	15
Other	1,238	605	395
	13,000	7,095	2,620

(1) Includes USD 660 thousand paid to BGI in relation to the services provided to the Company between 14 August 2013 and 8 September 2014. Also including management fees for related parties in amount of USD 1,049 thousand and share based payment in amount of USD 1,162 thousand. See Note 24(c), 5(5).

NOTE 21:- ADITTIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

c. General and administrative expenses (cont.)

(2) The Company filed claims against two companies Apple Inc ("Apple") and Microsoft Corporation (the "Respondents") for direct and indirect damages caused by infringement of patents it developed and registered. In 2014 and 2013 the Company recorded expenses relating to administration of the claims, legal and other advisors. Some of the Company's commitments relating to the payment of contingent fees in connection with the aforementioned claims depend on the successful outcome of the claims (the contingent fees are expected to amount to a substantial portion of any proceeds received from the claims). On 11 July 2014 the district court in the United States of America ("District Court") reached a decision regarding the Apple claim, and found that the Company's patent is valid but Apple did not infringe the patent.

In response, the Company filed motions with the original judge hearing the claim for a contrary judgment to the jury's verdict in respect of the non-infringement of the Company's patent or for a new trial on that point. Apple also filed motions with the original judge hearing the claim for a contrary judgment to the jury's verdict in respect of the validity of the Company's patent. On 29 January, 2015 District Court issued an order (the "Order") denying the Company's motion for a judgment as a matter of law, or, alternatively, for a new trial. Apple's motion for judgment as a matter of law, which was submitted conditionally upon the success of the Company's motion, was denied as well by court as moot.

The Company has filed an appeal with United States Court of appeals for the Federal Circuit in respect of the Order and the jury verdict entered on 11 July, 2014. The Company has also been informed that Apple Inc. has filed an appeal against the Order and the finding in respect of the validity of the Company's patent subject of the litigation.

In addition, the Company filed its objections to the bill of costs filed by Apple, in the aggregate amount of USD 293 thousands, which was reduced to amount of USD 199 thousand.

(3) See Note 18(c)

(4) See Note 18(b)(2).

(5) Includes expenses for the Company's prospectus as described in Note 1(c), in the amount of USD 1,360 thousands.

d. Other income

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Income from legal proceedings(1)	1,245	-	2,020
Other(2)	730	-	41
	1,975	-	2,061

(1) See Note 18(b)(1)

(2) During the month of September 2014, the subsidiaries of WFI filed a claim pursuant to the Property Tax and Compensation Fund Regulations- 2014 in the amount of NIS 6,040 thousand (approximately USD 1,553 thousand) with respect to indirect damages caused to them following the "Protective Edge" campaign (hereafter: the "Campaign"). On December 21, 2014, one of the subsidiaries of WFI and the Property Tax and Compensation Fund Director signed a compromise agreement in the amount of NIS 2,792 thousand (approximately USD 730 thousand), without either party waiving its allegations and/or accepting the allegations of the other. The amount was received in full during January 2015. The parties have not yet reached deliberations as of the date of issuing the reports regarding the balance of the claim by an additional subsidiary of WFI.

NOTE 21:- ADITTIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

e. Financial Income and Expenses

	Year ended 31 December		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
Financial income:			
Interest income on bank deposits	1,627	1,314	2,298
Gain from sale of available for sale financial assets	214	-	-
Interest income from debentures held for trading	659	549	162
Financial assets designated at fair value through profit or loss	99	-	-
Dividends received from share held for trading	173	-	-
Net foreign exchange income	1,908	3,345	-
Total financial income recognised in profit or loss	4,680	5,208	2,460
Financial expenses:			
Bank fees and charges	100	328	34
Loss from financial assets held for trading	2,589	-	-
Remeasurement of funds designated though profit or loss	319	-	-
Linkage and interest from debenture	56	-	-
Capital loss from sales of debentures	-	432	-
Interest expenses on short term-loan	7	86	-
Net foreign exchange loss	-	-	24
Other	149	-	-
Total financial expenses recognised in profit or loss	3,220	846	58

NOTE 22:- TAX ON INCOME

a. Deferred tax balances:

Composition of deferred tax assets (liabilities) are detailed below:

	Balance - January 1, 2014	Acquisition of subsidiaries	Recognized in profit or loss	Effect of changes in foreign exchange rates	Balance - December 31, 2014
	U.S. dollars in thousands				
Timing differences:					
Property, plant and equipment	-	(628)	8	69	(551)
Debentures	-	89	(33)	(8)	48
Intangible assets	-	(3,621)	304	381	(2,936)
Issuance expenses against premium	-	19	(18)	(1)	-
Financial assets at fair value through profit or loss	-	(774)	651	290	167
Provisions for employee benefits	-	117	(25)	(11)	81
Doubtful accounts	-	26	(22)	(2)	2
Total	-	(4,772)	865	718	(3,189)
Tax losses	-	111	(159)	(5)	(53)
Total	-	(4,661)	706	713	(3,242)

Deferred taxes are presented in the statement of financial position as follows:

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Non-current deferred tax liabilities	3,242	-	-

b. Income tax expenses recognized in the statement of profit or loss:

	Year ended December 31,		
	2014	2013	2012
	U.S. dollars in thousands		
Current taxes:			
Current tax expenses	1,135	-	-
Deferred tax expenses (income) in respect of creation and reversal of temporary differences	(706)	-	-
Total tax expenses	429	-	-

c. Israeli income tax rates:

The Company is subject to the Income Tax Regulation (Rules of Bookkeeping of Foreign Investment Companies and Certain Partnerships and Determination of their taxable Income), 1986 and accordingly reports for tax purposes in U.S dollars.

The Israeli corporate tax rate was 26.5% in 2014, 25% in 2012 and 2013.

NOTE 22:- TAX ON INCOME (Cont.)

c. Israeli income tax rates: (Cont.)

On December 5, 2011, the “Knesset” (Israeli parliament) passed the Law Tax Burden Reform (Legislative Amendments), 2011 (the "Law”) which, among others, canceled effective from 2012, the scheduled reduction in the corporate tax rate. The Law also increased the corporate tax rate to 25%, as above, the real capital gain tax rate and real betterment tax rate were also increased accordingly.

On 30 July 2013, the “Knesset” approved the second and third readings of the Economic Plan for 2013-2014 (the "Budget Law") which consisted, among others, of fiscal changes whose main aim was to enhance the collection of taxes in those years.

These changes included, among others, increasing the corporate tax rate from 25% to 26.5%, cancelling the reduction of the tax rates applicable to privileged enterprises (9% in development area A and 16% in other areas) and in certain cases, increasing the rate of dividend withholding tax within the scope of the Law for the Encouragement of Capital Investments to 20% effective from 1 January 2014. There are also other changes such as taxation of revaluation gains effective from 1 August 2013. The provisions regarding the revaluation gains, will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of overseas assets. As of the date of approval of these financial statements, these regulations have been issued.

The change in the tax rates did not have a material effect on the financial statements.

d. The Law for the Encouragement of Industry (Taxation), 1969
The Company's Israeli subsidiary, Emoze Ltd. has the status of an “industrial company” as defined by this law.

e. Subsidiaries outside Israel:
Non-Israeli subsidiaries are taxed according to the tax laws in their respective domiciles of residence.

f. Final tax assessment:
The Company and the subsidiaries in Israel received final tax assessment through 2008-2010.

g. Losses and deductions carried forward for tax purposes:
As of 31 December 2014, carry forward operating losses and temporary differences of the Company total approximately USD 126 million and capital tax losses approximately USD 48 million.

The Company's Israeli subsidiaries have operating and capital accumulated losses for tax purposes as of 31 December 2014, in the amount of approximately USD 159 million and USD 59 million, respectively. The Company did not record a tax benefit in respect of the carry forward losses due to the uncertainty of their utilisation.

h. Reconciliation of the theoretical tax expense to the actual tax expense:
The main reconciling items between the statutory tax rate of the Company and the effective tax rate are the non-recognition of tax benefits from net operating due to uncertainty of the realisation of such tax benefits (2014) and the utilisation of carry forward losses for which tax benefits had not been previously recorded (2013 and 2012).

NOTE 23:- EARNINGS PER SHARE

	31 December		
	2014	2013	2012
	U.S. dollars in thousands		
Number of shares used for calculation of earnings per share – Basic	109,990,252	110,143,043	111,498,570
Adjustments for share options	-	32,090	11,180
Number of shares used for calculation of earnings per share – Diluted	109,990,252	110,175,133	111,509,750
Continuing operations:			
Net (loss) income from continuing operations	(5,515)	(2,927)	998
Basic and diluted earnings per share to Company's shareholders	(0.05)	(0.03)	0.01
Discontinued operations:			
Net (loss) income from discontinued operations	-	181	(30)
Basic and diluted earnings per share to Company's shareholders	-	(*-	(*-
Total earnings per share	(0.05)	(0.03)	0.01

*) Less than USD0.01 per share.

NOTE 24:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances:

As of 31 December 2014:

	Related parties	Key management personnel
	U.S. dollars in thousands	
Other receivable and prepaid expenses	19	-
Other payables	800	23

As of 31 December 2013:

	Shareholders	Key management personnel
	U.S. dollars in thousands	
Other payables	63	94
Employee benefit liabilities, net	-	11

As of 31 December 2012:

	Shareholders	Key management personnel
	U.S. dollars in thousands	
Other payables	-	207

NOTE 24:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

b. Benefits to key management personnel:

	Year ended 31 December		
	2014	**2013**	**2012**
	U.S. dollars in thousands		
Management fees and related parties	2,809	-	-
Short-term benefits	462	687	754
Post-employment benefits	-	341	62
Share-based payment	1,162	12	22
	4,433	1,040	838

c. Benefits to the parent company:

In an extraordinary general meeting held on 8 September 2014, the Company’s shareholders approved the terms of service of Mr Israel Jossef Schneorson, the chief executive officer (the "Schneorson Agreement") (which was then subject to the approval of the shareholders of BGI Investments (1961) Ltd. (“BGI”), which approval was obtained on 5 October 2014), the terms of employment of Mr Eyal Merdler, the chief financial officer, and an agreement between the Company and BGI (the “BGI Management Agreement”) pursuant to which the Company will provide certain services to BGI, including the services of a chief executive officer, chief financial officer, controller, bookkeeper and administrative services for monthly fee of NIS 35 thousands (approximately USD 9 thousand).

As part of the BGI Management Agreement, the Company paid BGI a one-off fee of USD 660 thousand in relation to the services provided to the Company by the chief executive officer and chief financial officer of BGI between 14 August 2013 and 8 September 2014 and services provided to the Company by the corporate secretary, controller, bookkeeping and certain administrative staff of BGI between 1 January 2014 and 8 September 2014.

d. Equity compensation in the WFI Group:

On November 28, 2013, after receiving the approval of the remuneration committee and Board of WFINT, the general meeting of WFINT approved an employee option plan (in this paragraph, the "Plan") according to which WFINT will allocate, pursuant to the provisions of section 102 to the Income Tax Ordinance under the earned income track, 430,000 unquoted options of WFI to officers of WFINT and to employees of the subsidiaries of WFI (in this paragraph, the "Optionees"). Any Option is exercisable into one ordinary share of WFINT of NIS 0.1 par value each.

According to the Plan, the Options were allocated to the Optionees at no consideration. The exercise price of each share underlying the option is USD 6.5, subject to various adjustments such as in instances of distribution of bonus shares, rights issue, distribution of dividends etc.

According to the plan, each Optionee is entitled to exercise options, in consideration of the payment of the above exercise price, ratably in three equal portions as follows:

(1) One-third (1/3) - between 12 months from their allocation (the date of their allocation, "the record date") to 36 months after the record date.

(2) One-third (1/3) - between 24 months after the record date to 48 months after the record date.

(3) One-third (1/3) - between 36 months after the record date to 60 months after the record date.

NOTE 24:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

The Optionees entitlement to exercise the options and to receive the underlying shares on the above entitlement dates is conditional upon being an employee of the relevant company on the relevant entitlement dates, all as stated in the plan.

Any stock option that is not exercised by the last day of the portion expires.

In March 2015- 133,334 options were converted into shares of WFINT, See Note 26 (b)

For the effect on the Company's consolidated income see Note 5(c).

NOTE 25:- OPERATING SEGMENTS

a. General:

Upon the completion of the Acquisition of WFI in May 2014, the Group's main activity and its sole operating segment is import, marketing and distribution of food products to retail chains, supermarkets, wholesalers, and institutions mainly in Israel.

An operating segment is identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance.

b. Reporting segments:

	Year ended 31 December 2014
	US dollars In thousands
Revenues	
Import marketing and distribution of food products	58,210
Other	295
	58,505
Segment (loss) income	
Import marketing and distribution of food products	2,230
Other *)	(8,324)
Operating loss	(6,094)
Financial income, net	1,460
Loss before taxes	(4,634)

*) Other includes mainly unallocated corporate general and administrative expenses and expenses relating to research and development activities.

Seasonality

WFI Group operating results may be subject to variations from quarter to quarter depending, among others, the timing of sales campaigns and major Jewish holidays.

NOTE 25:- OPERATING SEGMENTS (Cont.)

c. Revenues from major customers that contributed 10% or more to the Group revenues (as a percentage of the total revenue):

	Year ended 31 December 2014	
	US dollars In thousands	%
Customer A	9,322	16

The revenues from the following products contributed 10% or more to the Group revenues (as a percentage of the total segment revenue):

	Year ended 31 December 2014	
	US dollars In thousands	%
Canned vegetables	9,985	17
Dairy and dairy substitute products	15,277	26
Dried fruit, nuts and beans	6,248	11

NOTE 26:- SUBSEQUENT EVENTS

a. On 24 February, 2015, Israel 18, Israel 180 Ltd. ("Israel 180") and Orot Israel 18 Ltd. ("Orot Israel and together, the "Israel 18 Group") entered into a loan agreement (the "Loan Agreement") for a loan to be provided by Zwi Williger and Joseph Williger (together, the "Willigers"), either in their personal capacities or through companies under their control (the "Lenders"), pursuant to which Israel 18 will borrower a sum of NIS 83 million (approximately USD 21.3 million) (the "Loan Amount").

The Loan Amount shall be used, among others, for the purposes of exercising the Options as described in note 1(b), upon which exercise, the shares acquired will be transferred to Orot Israel and will be available subject to fulfilment of conditions precedent. On 26 February the Lenders deposit the Loan Amount in escrow.

b. <u>Exercise shares based payment in WFI</u>:

1. On March 4, 2015, Mr Zwi Williger, a director of WFI and the chairman of the board of directors of WFI, exercised 66,667 options of WFI which were granted to him without consideration, into 66,667 ordinary shares of NIS 0.1 par value each of WFI (hereafter: the "exercise shares"). In consideration of the exercise shares, Mr Zwi Williger paid the amount of USD 433 thousand to WFI, reflecting an exercise price of USD 6.5 per each of the exercise shares.

2. on March 4, 2015, Mr. Joseph Williger, the president of WFINT and chairman of the board of directors , exercised 66,667 options of WFI which were granted to him without consideration, into 66,667 ordinary shares of NIS 0.1 par value each of WFI (hereafter: "exercise shares"). In consideration of the exercise shares, Mr Joseph Williger paid the amount of USD 433 thousand to WFI, reflecting an exercise price of USD 6.5 per each of the exercise shares.

3. For more details on the exercise of the put option regarding those shares see note 5(2).

NOTE 26:- SUBSEQUENT EVENTS (Cont.)

c.. On 24 February, 2015, Public Joint Stock Company Alfa Bank ("Alfa"), a Ukrainian banking entity, submitted a request to the Tel Aviv District Court (the "Court") to attach certain assets as well as direct and indirect holdings of the Company's ultimate controlling shareholder, Alexander Granovsky. This request was submitted as part of a claim filed by Alfa against Mr Granovsky and others with respect to alleged debts owing by them to Alfa. The defendants have yet to file a statement of defence in said claim.

Following hearings in this respect, the Court handed down judgment partially in Alfa's favour on 22 March, 2015 and decided that, inter alia, subject to the condition set out below:

Mr Granovsky, Israel 18, Israel 180 and Orot Israel may not dispose or otherwise grant security over any of their holdings respectively, including their direct holdings in the Company pending final judgment of the Court;

The Loan Amount shall remain in escrow pending final judgment of the Court; and pending a further hearing, the parties to the dispute should disclose all relevant documentation giving rise to rights in the capital or payment of monies owing by Mr Granovsky or his direct and indirect holdings in Israel.

The orders above shall lapse upon failure by Alfa to provide an autonomous bank guarantee from an Israeli bank by no later than 2 April 2015 at 12.pm (Israeli time) in an amount of NIS 30 million (approximately USD7.7 million) in escrow as guarantee to cover any damages to third parties which may be affected by such orders should Alfa's claim ultimately fail. Alfa, following receipt of Alexander Granovsky's consent, has requested that the Court extend the date by which such guarantee is to be provided until 8 April 2015.