B.S.D Crown Ltd. (LSE:BSD)

("BSD" or "the Company")

Management Statement

Tel Aviv, Israel, 27 November, 2014

Management Statement and Q3- 2014 Financial Statements

During the period commencing 1 January 2014 and ending on 30 September 2014 (the "**Relevant Period**"), the Company has undergone several events and transactions. A summary of the material events and transactions that have taken place during the Relevant Period are set out below:

Highlights

- Revenues amounted to $38,604 thousand for the period of nine (9) months ending 30 September 2014 (equivalent period in 2013: $1,587 thousand). The balance of cash and cash equivalent, short term investments and deposits (Including investment in a fund designated at fair value through profit or loss and financial assets at fair value through profit or loss), as of 30 September 2014 was $138,189 thousand (31 December 2013: $159,823 thousand). The total assets, as of 30 September 2014 were $228,078 thousand (31 December 2013: $160,442 thousand). The significant change is due to the purchase of the controlling stake in the share capital of Willi-Food Investments Ltd as explained below.

- The total issued share capital of the Company as at 27 November 2014 was 140,578,154 of which 109,990,252 ordinary shares are outstanding and 30,587,902 shares are held in treasury.

- In August 2013, a consortium of investors led by the Company announced its intention to acquire a controlling stake in IDB Holding Corporation Ltd., one of Israel's largest holding companies, in consideration of an aggregate payment of NIS1,580 million. As such proposed transaction was classified as a reverse takeover under the listing rules made by the UK Listing Authority ("**UKLA**") pursuant to Part VI of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") (the "**Listing Rules**"), trading in the Company's shares was suspended on 15 August 2013 and restored on 9 January 2014, following the Israeli District Court decision to uphold a competing offer.
(*See Company announcements dated 6 January 2014 and 9 January 2014*)

- On 24 December 2013, BGI Investments (1961) Ltd. ("**BGI**") and B.G. Alpha Ltd. (together, the "**BGI Group**") made a tender offer (the "**Offer**") to holders of the Company's ordinary shares to acquire 5% of the voting rights in the Company at a price per share equal to £0.75. On 28 January 2014 the Offer was successfully completed and the BGI Group purchased an additional 5% of the voting rights in the Company.
(*See Company announcements dated 13 January 2014, 16 January 2014, 24 January 2014 and 29 January 2014*)

- Following the success of the Offer, the BGI Group together with Israel 18 B.V., BGI's parent company (together, the "**Extended BGI Group**"), is entitled to exercise call options it has acquired. Upon the exercise of said call options, the Extended BGI Group will own shares, representing approximately 44.1% of the Company's Capital. In the meantime, following the grant of proxies made by Mr. Naftali Shani and Fortissimo Capital Management Ltd, amongst others, to Israel 18 and pursuant to the shareholders agreement between the members of Extended BGI Group, BGI is entitled to vote the shares representing the Options not yet exercised, representing 13.55% of the Company's Capital.
(*See Company announcements dated 11 February 2014, 14 February 2014, 20 February 2014, 24 February 2014, 21 March 2014, 27 March 2014 and 29 April 2014*)

- Mr. Amnon Ben-Shay, who was appointed as a director of the Company on 14 August 2013, submitted his resignation from the board of directors of the Company (the "**Board**") on 12 January, 2014, due to other commitments preventing him from fulfilling the requirements of his position as a director.
(*See Company announcements dated 13 January 2014*)

- On 2 March 2014, the Company entered into an 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 owns approximately 58% of G Willi-Food International Ltd ("**WFINT**" and together with WFI, "**Willi-Food**"), a company listed on NASDAQ. Under the agreement, the Company: (i) acquired the Sellers' entire shareholdings in WFI (part of which was 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); 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 additional shares carrying 5% of the voting rights in WFI. The Special Tender Offer was completed on 1 May 2014 and the transaction completed on 4 May 2014 (the "**Completion Date**"). Following such completion, the Company acquired in aggregate 61.65% of the issued share capital of WFI (62.21% of its voting rights), for aggregate consideration of NIS284.7 million (U.S. $82.3 million).
  (*See Company announcements dated 3 March 2014, 7 April 2014, 28 April 2014, 1 May 2014 and 7 May 2014 and Company prospectus published on 29 July, 2014*)

  The Sellers have agreed to continue to be engaged by WFINT as chairman of the board of WFINT (in respect of ZW) and president of WFINT (in respect of JW), or as joint chief executive officers of WFI until 21st August 2017. 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. In consideration of such non-compete undertakings, each of the Sellers is entitled to an additional annual payment of NIS1.5 million (approximately £0.25 million) per year following termination of his respective engagement, to be paid by the Company and subject to applicable law.
  (*See Company prospectus published on 29 July, 2014*)

Trading

The acquisition of the abovementioned stake in WFI is deemed a reverse takeover under the Listing Rules and trading in the Company's shares was accordingly suspended on 3 March, 2014. Following the publication of a prospectus by the Company on 29 July, 2014 in connection with the requirement on it to re-apply for the listing of its shares following completion of the transaction, such suspension was lifted on 4 August 2014 and the Company's shares were re-admitted to trading on the Standard List of the main market of the London Stock Exchange.

In accordance with a resolution passed at the Company's annual general meeting held on 3 July 2014, the Company's name was changed from Emblaze Ltd. to B.S.D Crown Ltd., with effect from 5 August 2014. On 12 August 2014 the change of name to B.S.D Crown Ltd. became effective on the London Stock Exchange. Accordingly, the Company's TIDM (ticker symbol) has also changed to BSD.

The Company notes: in light of a significant decrease in the market value of the shares of WFI since the date of the Company's investment therein (May 2014), coupled with the current state of the Israeli food industry in general, may be considered to indicate an impairment of goodwill in relation to the Company's investment in Willi-Food. As a result of these developments, the Company appointed an independent appraiser to determine the value of the Company's investment in Willi-Food on a discounted cash-flow basis as of September 30, 2014. On the basis of such appraiser's conclusion that the recoverable value of said investment significantly exceeds its carrying value, the Company does not believe there is a need to recognise an impairment loss in the financial accounts of the Company.

Management

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 "**Shneorson Agreement**") (which was then subject to the approval of the shareholders of 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 thousands).

As such, 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 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. *(See Company prospectus published on 8 September, 2014)*

Intellectual Property

In July 2010, BSD filed a complaint against Apple Inc. ("**Apple**") for infringement of the Company's U.S. Patent No. 6,389,473 through Apple's HTTP Live Streaming protocol used in Apple products such as iPhones and iPads. On 11 July, 2014 and the jury found that BSD's U.S. Patent Number 6,389,473 is valid, but also found that Apple Inc. 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 that, contrary to the jury's verdict of 14 July 2014, the Company's U.S. Patent Number 6,389,473 for media streaming was infringed; or, alternatively, (ii) for a new trial.

Also on 8 August, 2014, Apple filed a motion for a judgment as a matter of law that, if the court grants the judgment as a matter of law filed by BSD or the motion for new trial filed by BSD, then Apple also requests that the court grant a judgment as a matter of law that the asserted claims of the Company's U.S. Patent Number 6,389,473 for media streaming are invalid and/or grant a new trial on the invalidity of the asserted claims.

The court has scheduled a hearing regarding BSD's and Apple's respective motions for judgements as a matter of law for 9 December, 2014.

(*See Company announcements dated 8 July 2014, 14 July 2014, 11 August, 2014, 12 August, 2014 and* 20 October 2014).

In October 2012, the Company filed a complaint for patent infringement against Microsoft Corporation ("**Microsoft**"). The complaint asserts that Microsoft's IIS Smooth Streaming system infringes BSD's U.S. patent No. 6,389,473 for media streaming technology.

Legal proceedings in these cases are ongoing.

Part Settlement of Claims

In October 2014, the Company entered into agreements to settle certain outstanding claims made against it and disclosed in the prospectus published by the Company on 29 July, 2014 and the financial statements of the company as of 31 December, 2013 published by the Company on 27 March 2014 (the "**Settlement Agreements**").

The Company and some of its past directors were named as defendants in certain claims, all in connection with the bankruptcy of Mr Eli Reifman, one of the founders and a former director of the Company.

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 GBP 12.1 million).

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 GBP 13.5 million).

Pursuant to the Settlement Agreements, following contributions from the Company's Directors & Officers Liability insurers, the Company has agreed to pay, without admitting to any legal liability, (i) NIS 1.975 million (approximately GBP 0.3 million at present value) 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) in consideration of the full and final settlement of claims representing NIS 69.9 million (approximately GBP 11.6 million) of the June 2012 Claim. The Company included a provision in the financial statements as of 30 September 2014 in the total amount of GBP 1.05 million.

In addition, the Company has been informed in relation to the claim described in paragraph 14.1.4 of Part 8 of the prospectus published by the Company on 29 July, 2014 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 GBP 3.7 million). The Company is considering the amended claim and it yet to submit its amended statement of defence.

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 GBP 5 million).

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

Jossef Schneorson, CEO, commented: "The Company's consolidated financial statements as of 30 September 2014 demonstrate significant cash and cash equivalent resources and a total owners' equity to total assets ratio of 86%. These parameters are clear indicators of the Company's financial stability. In light of its actual results, the directors and management consider that the Company's current share price does not duly reflect its performance and the real value of its assets. We believe that the company will have positive results in the following years due to its solid investment in WFI and its strong cash and cash equivalent resources which enable it to continue its strategy of acquisitions and growth through active participation in the management of its subsidiaries."

A copy of the half yearly financial statements will also be available for inspection on the Company's website, www.bsd-c.com and will be sent for publication at the Financial Conduct Authority's National Storage Mechanism which can be accessed at www.morningstar.co.uk/uk/NSM.

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B.S.D Crown Ltd.

B.S.D Crown Ltd. is traded on the London Stock Exchange (LSE: BSD) since 1996. www.bsd-c.com

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 SEPTEMBER 2014

UNAUDITED

IN U.S. DOLLARS

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Report on Review of Interim Condensed Consolidated Financial Statements

Board of Directors
B.S.D Crown Ltd. (Formerly - Emblaze Ltd.)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of B.S.D Crown Ltd. (Formerly - Emblaze Ltd.) and its subsidiaries (the "Group") as of 30 September 2014 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month and three month periods then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Beer-Sheva, Israel
27 November, 2014

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

	30 September		31 December
	2014	2013	2013
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	24,897	5,782	2,957
Short-term deposits	47,191	16,223	16,242
Short-term deposits held in trust	-	120,629	140,418
Financial assets at fair value through profit or loss	61,998	-	-
Available for sale financial assets	-	205	206
Trade receivables	25,340	-	30
Other receivables and prepaid expenses	2,306	615	522
Investment in a fund designated at fair value through profit or loss	4,103	-	-
Inventories	12,062	-	-
Total current assets	177,897	143,454	160,375
NON-CURRENT ASSETS:			
Property, plant and equipment, net	14,342	65	67
Intangible assets:			
Customer relationships	5,870	-	-
Supplier relationships	3,357	-	-
Brands	1,585	-	-
Non-competition agreements	1,287	-	-
Goodwill	23,740	-	-
Total non-current assets	50,181	65	67
Total assets	228,078	143,519	160,442

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 September		31 December
	2014	2013	2013
	Unaudited		Audited
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term debt	130	-	18,813
Current maturities of debentures	3,469	-	-
Trade payables	5,174	384	699
Other accounts payable and deferred revenues	5,039	1,198	1,708
Employee benefit liabilities, net	759	346	282
Financial liability for non – controlling interest put option	6,740	-	-
Total current liabilities	21,311	1,928	21,502
NON-CURRENT LIABILITIES:			
Employee benefit liabilities, net	173	18	40
Liability for non- competition payments	1,478	-	-
Debentures	3,695	-	-
Deferred taxes	4,179	-	-
	9,525	18	40
EQUITY:			
Share capital	416	416	416
Share premium	469,932	469,931	469,925
Treasury shares	(76,962)	(76,962)	(76,962)
Available for sale reserve	-	122	123
Reserve from transactions with non- controlling interests	(544)	-	-
Foreign currency translation reserve	(5,784)	-	-
Accumulated deficit	(259,646)	(251,542)	(254,189)
Equity attributable to Company's equity holders	127,412	141,965	139,313
Non- controlling interests	69,830	(392)	(413)
Total equity	197,242	141,573	138,900
Total liabilities and equity	228,078	143,519	160,442

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

27 November, 2014			
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.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2014	2013	2014	2013	2013
	Unaudited				Audited
	U.S. dollars in thousands (except earnings (loss) per share)				
Revenues	38,604	1,587	22,597	522	1,882
Cost of sales	29,069	334	17,102	62	449
Gross profit	9,535	1,253	5,495	460	1,433
Research and development	1,001	1,154	308	393	1,562
Selling expenses	5,320	134	3,081	-	134
General and administrative expenses	10,845	3,422	6,131	1,873	7,095
Total operating expenses	17,166	4,710	9,520	2,266	8,791
Operating loss	(7,631)	(3,457)	(4,025)	(1,806)	(7,358)
Financial income	3,912	3,407	1,728	2,582	5,208
Financial expense	(194)	(323)	(129)	(271)	(846)
Income (loss) before taxes on income	(3,913)	(373)	(2,426)	505	(2,996)
Taxes on income	(625)	-	(450)	-	-
Loss from continuing operations	(4,538)	(373)	(2,876)	505	(2,996)
Income (loss) from discontinued operations, net	-	129	-	(31)	181
Net income (loss)	(4,538)	(244)	(2,876)	474	(2,815)
<u>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods :</u>					
Gain (loss) from available-for-sale financial assets	25	(10)	-	-	(9)
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	(10,566)	-	(11,491)	-	-
<u>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</u> :					
Remeasurement loss from defined benefit plans	46	-	46	-	(97)
Total other comprehensive loss	(10,643)	(10)	(11,445)	-	(106)
Total comprehensive income (loss)	(15,181)	(254)	(14,321)	474	(2,921)
Net income (loss) attributable to:					
Equity holders of the Company	(5,475)	(196)	(3,587)	493	(2,746)
Non- controlling interests	937	(48)	711	(19)	(69)
Net loss	(4,538)	(244)	(2,876)	474	(2,815)
Total comprehensive income (loss) attributable to:					
Equity holders of the Company	(11,364)	(206)	(9,811)	493	(2,852)
Non- controlling interests	(3,817)	(48)	(4,510)	(19)	(69)
Total comprehensive income (loss)	(15,181)	(254)	(14,321)	474	(2,921)
Basic and diluted net earnings per share attributable to Company's equity holders (in U.S dollars):					
Loss from continuing operations	(0.05)	-*)	(0.03)	-*)	(0.03)
Income from discontinued operations	-	-*)	-	-*)	(*
Net loss per share	(0.05)	-	(0.03)	-	(0.03)

*) Less than USD 0.01 per share.

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

B.S.D CROWN LTD. (FORMERLY- EMBLAZE LTD.)
INTERIM CONDENSED 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									
	Unaudited									
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 income (loss)	-	-	-	-	-	-	(5,475)	(5,475)	937	(4,538)
Other comprehensive income (loss):										
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	-	-	-	-	-	-	18	18	28	46
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(5,784)	-	(5,784)	(4,782)	(10,566)
Total comprehensive loss	-	-	-	-	-	(5,784)	(5,457)	(11,364)	(3,817)	(15,181)
Cost of share based payment	-	7	-	-	-	-	-	7	-	7
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	-	(544)	-	-	(544)	544	-
Balance as of 30 September 2014	416	469,932	(76,962)	-	(544)	(5,784)	(259,646)	127,412	69,830	197,242

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable 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							
	Unaudited							
Balance as of January 1, 2013 (audited)	416	469,911	(76,275)	132	(251,346)	142,838	(344)	142,494
Loss	-	-	-	-	(196)	(196)	(48)	(244)
Other comprehensive loss	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive loss	-	-	-	(10)	(196)	(206)	(48)	(254)
Cost of share based payment	-	20	-	-	-	20	-	20
Purchase of treasury shares	-	-	(687)	-	-	(687)	-	(687)
Balance as of September 30, 2013	416	469,931	(76,962)	122	(251,542)	141,965	(392)	141,573

	Attributable 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							
	Audited							
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)
Remeasurement loss from defined benefit plan	-	-	-	-	(97)	(97)	-	(97)
Loss from available for sale- financial assets	-	-	-	(9)	-	(9)	-	(9)
Total comprehensive loss	-	-	-	(9)	(2,843)	(2,852)	(69)	(2,921)
Cost of share- based payment	-	14	-	-	-	14	-	14
Purchase of treasury shares	-	-	(687)	-	-	(687)	-	(687)
Balance as of 31 December 2013	416	469,925	(76,962)	123	(254,189)	139,313	(413)	138,900

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

	Nine months ended 30 September		Year ended 31 December
	2014	2013	2013
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Loss	(4,538)	(244)	(2,815)
Less - income from discontinued operations	-	129	181
Loss from continuing operations	(4,538)	(373)	(2,996)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities :			
Depreciation and amortisation	1,302	23	31
Loss on disposal of fixed assets	10	-	-
Employee benefit liabilities, net	(77)	-	-
Cost of share-based payment	733	20	14
Change in financial assets at fair value through profit or loss	(425)	271	432
Interest income	(1,128)	(787)	(1,863)
Interest expense on short-term loan	7	-	86
Decrease in deferred tax	(196)	-	-
Taxes on income	821	-	-
Exchange rate differences on deposit and short-term loan	(1,269)	(2,516)	(3,438)
Gain from sale of available for sale financial assets	(214)	-	-
Financial expenses from debentures	75	-	-
Finance expenses on financial liabilities	94	-	-
	(267)	(2,989)	(4,738)
Changes in asset and liability items:			
Decrease in inventories	2,609	-	-
Decrease in trade receivables	3,451	-	-
Decrease (increase) in receivables and prepaid expenses	(78)	377	494
Increase (decrease) in trade payables, other payables and accrued expenses	1,190	(2,217)	(1,468)
	7,172	(1,840)	(974)
Cash received (paid) during the period:			
Interest received	592	1,631	2,450
Interest paid	(228)	-	-
Income taxes paid	(1,344)	-	-
	(980)	1,631	2,450
Net cash provided by (used in) operating activities from continuing operations	1,387	(3,571)	(6,258)
Net cash used in operating activities from discontinued operations	-	(220)	(189)
Net cash provided by (used in) operating activities	1,387	(3,791)	(6,447)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September		Year ended 31 December
	2014	2013	2013
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Proceeds from sale of property and equipment	65	(22)	-
Purchase of property and equipment	(1,412)	-	(31)
Maturing of (investment in) short-term deposits, net	(30,949)	(129,183)	105,953
Withdrawal of (investment in) deposit held in trust	122,404	-	(118,253)
Purchase of financial assets at fair value through profit or loss	(6,268)	(8,607)	(13,352)
Proceeds from sale of financial assets at fair value through profit or loss and available for sale financial assets	297	644	26,441
Acquisition of subsidiary (a)	(62,088)	-	-
Net cash provided by (used in) investing activities from continuing operations	22,049	(137,168)	758
Cash flows from financing activities:			
Bank overdraft, net	(695)	-	-
Purchase of treasury shares	-	(308)	(687)
Net cash used in financing activities from continuing operations	(695)	(308)	(687)
Exchange differences on balances of cash and cash equivalents	(801)	-	-
Net increase (decrease) in cash and cash equivalents	21,940	(139,352)	(6,376)
Cash and cash equivalents at the beginning of the period	2,957	148,261	9,333
Cash and cash equivalents at the end of the period	24,897	8,909	2,957
(a) Acquisition of subsidiary: The subsidiary's assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	(98,429)	-	-
Property, plant and equipment	(14,480)	-	-
Intangible assets	(13,666)	-	-
Goodwill	(25,367)	-	-
Prepaid expenses	(9)	-	-
Deferred taxes	4,661	-	-
Non-current liabilities	4,186	-	-
Financial liability for non- controlling interest put option	5,945	-	-
Liability for non- competition payment	1,555	-	-
Non-controlling interests	73,516	-	-
	(62,088)	-	-
(b) Non-cash transactions:			
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)	-	-

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

NOTE 1:- GENERAL

a. B.S.D Crown Ltd. ("B.S.D" 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.

b. 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. WFI and its subsidiaries are engaged in the import, marketing and distribution of a several hundred food products, mainly in Israel. See Note 3 for further details of the Acquisition. The financial statements of WFI and its subsidiaries (the "**WFI Group**") have been consolidated in these interim condensed 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 then existing activities of the Company and its subsidiaries (the "B.S.D 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 UKLA and for admission to trading on the London Stock Exchange main market for listed securities. The admission became effective on 4 August 2014. The Company's shares are presently listed for trading under the symbol BSD.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim consolidated financial statements:

The interim condensed consolidated financial statements for the nine and three month periods ended 30 September 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the B.S.D Group's consolidated annual financial statements for the year ended 31 December 2013. As a consequence of the initial consolidation of the financial statements of the WFI Group, the following accounting policies relating to the activities of the WFI Group have been adopted:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group: (Cont.)

- **Functional currency and presentation currency:**

The presentation currency of the financial statements is the US dollar.
The Group determines the functional currency of each Group entity, including companies accounted for at equity.

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 income (loss).

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 income (loss).

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.

- **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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group (Cont.):

- **Business combinations and goodwill (Cont.):**

  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. 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.

- **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 Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Company acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. When the Company 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group (Cont.):

- **Revenue recognition (Cont.):**

  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.

- **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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group (Cont.):

- **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.

- **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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group (Cont.):

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 3 (c))

- **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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Accounting policies adopted by the B.S.D Group as a consequence of the acquisition of the WFI Group (Cont.):

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

  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.

- **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.)

c. Adoption of new standards and interpretations effective as of 1 January 2014

The nature and the impact of each new standard or amendment adopted are described below:

Offsetting Financial Asses and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

d. Disclosure of new IFRS standards in the period prior to their adoption:

(1) <u>IFRS 15, "Revenue from Contracts with Customers"</u>:

IFRS 15 ("the **Standard**") was issued by the IASB in May 2014.

IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts, and the related Interpretations: 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 Standard introduces the following five-step model that applies to revenue from contracts with customers:

Step 1: Identify the contract(s) with a customer, including reference to contract consolidation and accounting for contract modifications.

Step 2: Identify the distinct 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 by making estimates and assessments.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation over time or at a point in time.

IFRS 15 also establishes the accounting treatment of incremental costs involving obtaining a contract and the costs directly related to fulfilling a contract.

The Standard will apply retrospectively to annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Standard may be applied to existing contracts beginning with the current period and thereafter. No restatement of the comparative periods will be required as long as comparative disclosures about the current period's revenues under existing IFRS are included.

The Company is evaluating the possible impact of the adoption of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Disclosure of new IFRS standards in the period prior to their adoption: (Cont.)

(2) IFRS 9, "Financial Instruments":

In connection with Note 4 to the annual financial statements as of December 31, 2013 regarding disclosure of new IFRS Standards in the period prior to their adoption in the issue of IFRS 9, in July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("the final Standard") which includes the following elements: classification and measurement, impairment and hedge accounting.

The main changes between the final Standard and the previously published phases of the Standard are:

Classification and measurement:

The final version of IFRS 9 includes another category for the classification and measurement of financial assets that represent debt instruments. Financial assets classified in this category will be measured at fair value through other comprehensive income ("FVOCI") and the differences previously carried to other comprehensive income as above will be reclassified to profit or loss under specific conditions such as when the asset is derecognised. Finance income, exchange rate differences and impairment losses on financial assets, however, will be recognised in profit or loss. The classification in this category is allowed for debt instruments that meet the following tests on a cumulative basis:

- Based on the financial asset's contractual terms and on specific dates, the entity is entitled to receive cash flows that represent solely principal payments and interest payments on the principal balance.
- The asset is held in the context of a business model whose aim is both to collect the contractual cash flows generated from the asset and to dispose of the asset.

Impairment:

The Final Standard addresses the issue of impairment of financial assets by introducing the expected credit loss impairment model to replace the incurred loss model prescribed in IAS 39. The expected credit loss model applies to debt instruments measured at amortised cost or at FVOCI and to trade receivables. The model introduces a simpler and economic approach for measuring impairment:

- General approach - credit losses due to default which are expected to occur in the subsequent 12-month period will be recognised provided that there has not been a significant increase in credit risk since the date of initial recognition of the instrument. On the other hand, if there has been a significant increase in credit risk since the date of initial recognition of the instrument, a provision should be recognised for credit losses that are expected to occur over the remaining life of the exposure in respect of said instrument.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Disclosure of new IFRS standards in the period prior to their adoption: (Cont.)

(2) IFRS 9, "Financial Instruments": (Cont.)

- A simpler approach (applies in certain cases and for certain groups of assets only, including trade receivables) - according to this approach, the credit losses that are expected to occur over the remaining life of the exposure in respect of said instrument should be recognised, regardless of the occurrence of credit risk changes since the date of initial recognition of said instrument.

The Final Standard will be applied retrospectively, subject to certain exemptions stipulated therein, in the financial statements for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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

(3) 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 3:- ACQUSITION OF WILI-FOOD INVESTMENT LTD.

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 owns approximately 58% of G. Willi-Food International Ltd ("WFINT" and together with WFI, "Willi-Food"), a company listed on NASDAQ (the “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 was 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); 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.

NOTE 3:- ACQUSITION OF WILI-FOOD INVESTMENT LTD. (Cont.)

Share purchase agreement. (Cont.)

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 completion of the Acquisition, 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.
   In the nine months and three months ended 30 September 2014, the Company recorded in profit or loss share-based payment expense of USD 475 thousands and USD 260 thousands, respectively (in addition to the expense recorded in WFI in the amount of USD 275 thousands and USD 192 thousands, respectively. As of 30 September 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 746 thousand.

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. In 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 has withdrawn its application regarding the approval of the Israeli Anti-trust Authorities to extend the non-competition period to six years from the completion date, under all scenarios. 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.

NOTE 3:- ACQUSITION OF WILI-FOOD INVESTMENT LTD. (Cont.)

Share purchase agreement. (Cont.)

4. Business Combination

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

a. Consideration for Acquisition

	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 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 the completion of the Acquisition 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%.

(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 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.

NOTE 3:- ACQUSITION OF WILI-FOOD INVESTMENT LTD. (Cont.)

Share purchase agreement. (Cont.)

4. Business Combination (Cont.)

	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

The fair value of the identifiable assets and liabilities of WFI near the acquisition date:

	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.

NOTE 3:- ACQUSITION OF WILI-FOOD INVESTMENT LTD. (Cont.)

Share purchase agreement. (Cont.)

4. Business Combination (Cont.)

c. Fair value adjustment on acquisition:

	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

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

d. From the date of Acquisition, WFI has contributed USD 38.5 million of revenue and USD 2.1 million (after fair value adjustments) to the net income of the B.S.D. If the Acquisition had taken place at the beginning of the year 2014, consolidated revenues would have been USD 72.7 million and the net income would have been USD 5 million (after fair value adjustments).

5. Testing the impairment of goodwill

As of 30 September 2014, the balance of goodwill allocated to the activity of importing, marketing and distributing food products ('the Willi-Food transaction") totals USD 23,740 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 30 September 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 recognized 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 12.4% (10.5% after taxes).
- The projected cash flows take into account an annual permanent growth rate of 2%.

NOTE 4: SUPPLEMENTARY INFORMATION

a. As described in Note 13(a) to the financial statements as of 31 December 2013, the Company filed claims against two companies Apple Inc ("Apple") and Microsoft Corporation (the "Respondents") for direct and indirect damages caused by infringement of a patent it developed and registered.

On 11 July 2014 the district court in the United States of America 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. The Company expects the court to rule on these motions in December 2014.

In addition, the Company filed its objections to the bill of costs filed by Apple . In the aggregate amount of USD 293 thousands.
The management of the Company estimates that the outcome of this claim will not have a material adverse effect on the financial statements.

b. 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 such, 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 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.

NOTE 5:- FINANCIAL INSTRUMENTS

Financial instruments that are not measured at fair value:

Except as detailed in the following table, the Group believes that the carrying amount of financial assets and liabilities that are presented at amortised cost in the financial statements approximates their fair value.

Financial liabilities:

	Carrying amount	Fair value
	30 September 2014	30 September 2014
	Unaudited	
	U.S. Dollars in thousands	
Debentures and interest payable	7,183	7,070

Below are details of the Group's financial assets that are measured in the Company's statement of financial position at fair value by levels:

NOTE 5:- FINANCIAL INSTRUMENTS (Cont.)

Financial assets at fair value:

	30 September 2014		
	Unaudited		
	Level 1	Level 2	Total
	U.S. Dollars in thousands		
Marketable securities	60,764	1,234	61,998
Investment in fund	-	4,103	4,103
Total	60,764	5,337	66,101

NOTE 6:- 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:

	Nine months ended 30 September	Three months ended 30 September
	2014	
	Unaudited	
	U.S. Dollars in thousands	
Revenues		
Import marketing and distribution of food products	38,474	22,532
Other	130	65
	38,604	22,597
Segment income (loss)		
Import marketing and distribution of food products	1,152	545
Other *)	(8,783)	(4,570)
Operating loss	(7,631)	(4,025)
Financial income, net	3,718	1,599
Loss before taxes	(3,913)	(2,426)

*) 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. Therefore, the operating results of WFI Group in the period ended 30 September 2014 are not necessarily indicative of its operating results for the year.

NOTE 6:- OPERATING SEGMENTS (Cont.)

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

	Nine months ended 30 September	three months ended 30 September
	2014	2014
	Unaudited	
	%	%
Customer A	16	16

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

	Nine months ended 30 September	Three months ended 30 September
	2014	2014
	Unaudited	
	%	%
Canned vegetables	16	16
Dairy and dairy substitute products	24	23
Dried fruit, nuts and beans	14	10

NOTE 7:- SUBSEQUENT EVENTS

a. Settlements of claims

In October 2014, the Company entered into agreements to settle certain outstanding claims as described in Note 10(b) to the financial statements as of 31 December 2013, (the "Settlement Agreements").
The Company and some of its past directors were named as defendants in certain claims, all in connection with the bankruptcy of Mr Eli Reifman, one of the founders and a former director of the Company.
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).
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 included a provision in the financial statements as of 30 September 2014 in the total amount of USD1.7 million.

NOTE 7:- SUBSEQUENT EVENTS (Cont)

a. Settlements of claims (Cont.)

In addition, the Company has been informed in relation to the claim described in Note 10 (b)(d) to the financial statements as of 31 December 2013 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). The Company is considering the amended claim and is yet to submit its amended statement of defense.

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.

b. Following settlement with HMRC in respect of outstanding interest claimed by EMSL, as described in Note 10(b)(1) to the financial statements as of 31 December 2013, in October 2014, EMSL received such outstanding interest from HMRC of approximately £ 0.7 million (USD 1.1 million) net of estimated expenses. This net income will be included in the financial statements for the period ending 31 December 2014.

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