



**2015 ANNUAL REPORT AND FINANCIAL STATEMENTS INCLUDING A RESTATEMENT
FOR THE COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2014
AND JANUARY 1, 2014 AND FOR THE YEAR ENDED DECEMBER 31, 2014**

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CORPORATE INFORMATION

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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 2015

The following sections reflect the position of the Company as at 31 December 2015 as well as several updates relating to the period from 1 January 2016 until the date of this report:

Financial Highlights

1. The Company's consolidated financial statements have been prepared, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS");
2. The Company's consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2014 is presented in these consolidated financial statements due to the correction of an error retrospectively. See Note 5 to the consolidated financial statements.
3. Primary assets as at 31 December 2015 and to the date of this report :
 - 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 (the "Food Activity" and "TASE", respectively) and an approximately 44 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 the exercise by the Sellers (as defined below) of the WFINT Put Option (as defined below);
4. The Company through Willi-Food continued to generate a positive cash flow from operating activities, and as of the end of the reporting period, has short term deposits and financial assets of USD 68 million, which include:
 - USD 62.6 million in cash, short term bank deposits and financial assets with an original maturity of three months from 31 December 2015; and

- USD 5.4 million in short term bank deposits with an original maturity of between three months to one year from 31 December 2015. Includes USD 5.2 million deposits held in the International Bank of Azerbaijan ("**IBAR**") which returned to WFI on January 2016. For further information with respect to the Company's Foreign Bank Deposits, as defined below, see Note 5 to the consolidated financial statements.
5. Revenues for the year ending 31 December 2015 totalled USD 81.7 million (2014: USD 58.5 million) and loss from continued operations totalled USD 18.6 million (Restated 2014: a loss of USD 38.3 million as detailed in Note 5 to the consolidated financial statements). The loss in 2015 was, mainly, attributed to (1) a loss from impairment of the value of the WFI goodwill and other assets in the amount of NIS 89.5 million (approximately USD 23.8 million), as described in Note 7 to the consolidated financial statement, which was included in the Profit or Loss statement as Other losses (income) and allocated to the shareholders of the Company and the non-controlling interests in accordance with their respective holdings; (2) the cost related to the termination agreement between WFINT and Messrs. Zwi Williger ("**ZW**") and Joseph Williger ("**JW**") in the amount of NIS 10.68 million (approximately USD 2.74 million), see Note 20(C)(3) to the consolidated financial statements and (3) write-off recorded with respect to the WFI's estimated exposure to the debts of Mega Retail Ltd. and Eden Briut Teva Market Ltd., as described below, in the amount of NIS 3.4 million (approximately USD 0.97 million), both included in the General Expenses and allocated to the shareholders of the Company and the non-controlling interests in accordance with their respective holdings; and (4) gain from foreign banks recovery in the amount of USD 5.3 million which was included in the profit or loss statement as Financial income.

Shareholding Highlights

6. The total number of issued shares of the Company as at 31 December 2015 was 140,578,154 of which 109,990,252 ordinary shares were outstanding, and 30,587,902 shares were held in treasury. as of the date of approval the report the outstanding shares are 129,340,252 and 11,237,902 shares held in treasury. For further information see Note 1(D) to the consolidated financial statements.
7. On 29 April 2016, the Company announced that it will not be able to publish its annual financial statement for the year ended 31 December 2015 (the "Annual Financial Statements") by 30 April 2016, as required by the Listing Rules and the Disclosure and Transparency Rules. Given the delay in publishing the Annual Financial Statements, the Company requested that trading in its shares be temporarily suspended with effect from 29 April 2016 pending the publication of the Annual Financial Statements.
8. Since 5 May 2017 the Company is controlled by JW after all its previous directors (excluding the external director) were replaced by directors nominated by JW. For further information see Note 29(J) to the consolidated financial statements.
9. To the best knowledge of the Company as of the day hereof, 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**") owns 20.95% of the Company's shares and Israel 18 B.V. ("**Israel 18**") has a contractual right to 16.17% of the Company's shares, which right is subject to a pledge.
10. On 15 July, 2015 The Company was informed by, Mr Oleksandr Granovsky and Stichting Chabad Charity Foundation (both: the "**Sellers**"), its former ultimate controlling shareholder, and by Mr.

Gregory Gurtovoy, that with effect from 15 July, 2015, that the sellers have sold to Mr. Gurtovoy their entire holdings in Israel 18 (herein: the "**Transaction**"). The Company was not provided with details of the consideration, nor of the timing for payment of the consideration in respect of the abovementioned Transaction.

11. To the best knowledge of the Company as of the day hereof, BGI Group, owns 20.95% of the Company's shares and Israel 18 has a contractual right to 16.17% of the Company's shares, which right is subject to a pledge.

Other Highlights

12. Following the Company's Extraordinary General Meeting held 19 January 2015, the Company appointed Brightman Almagor Zohar & Co (a member firm of Deloitte Touche Tohmatsu Limited) as its independent auditor. On 25 September 2017 the Company's Extraordinary General Meeting reappoint their nomination as the Company's independent auditors.
13. On February 17 2016, as a result of suspicions of certain breaches of Israeli securities laws and criminal offenses, the Israel Securities Authority ("**ISA**") initiated an investigation. The ISA conducted a search on February 17, 2016 at the offices of the Company, and the offices of BGI, and its subsidiaries Willi-Food Investments Ltd. And G. Willi-Food International Ltd. (the "**Group**") during which certain computers and other materials were seized by the ISA. Similarly, a number of officers and directors within the Group were being questioned by the ISA and the former chairman of board of directors and the indirect controlling shareholder of the Group at the time, Mr. Gregory Gurtovoy, has been detained.

On 18 June 2017 the Tel Aviv District Attorney's Office (Taxation and Economics) informed Gurtovoy, that it is considering filing an indictment against him, inter alia on suspicion of theft by an agent, aggravated fraud, money laundering, fraud and breach of fiduciary duties and false registration of corporate documents.

According to the statement of accusation, in July 2015, Alexander Granovsky transferred control of the Group to Gurtovoy. At the time, the Group had deposits of about USD 60 million in banks in Austria and Azerbaijan. The statement charged Gurtovoy with a long series of misrepresentations, fraud and theft of funds.

According to the statement of accusation: as of July 2015, Gurtovoy has taken advantage of his position as controlling shareholder and chairman of the board of directors in order to conceal the fact that the aforementioned deposits were pledged in favor of the loans given to companies connected with himself and with Granovsky. In fact, the funds were stolen from the Group, for further information with respect to the decline in the value of Foreign Bank Deposits as a result of fraud, see Note 5 to the Company's consolidation financial statements. Gurtovoy falsely presented himself to the officers and directors of the Group as if he were acting independently and for the benefit of the Group, when in fact he continued to include Granovsky in the decision making process and was an active partner in concealing the lien of the funds, and even illegally withdrew additional funds. Gurtovoy caused the Group to make false public reports regarding the deposits, as well as to withhold reporting material events.

In addition, according to the statement of accusation: in January 2016, Gurtovoy had fraudulently withdrawn USD 5 million from WFINT by misrepresenting himself to the WFINT's officers, advising

that it was an investment in bonds. WFINT transferred USD 3 million, which was pledged to repay a loan received by a private company related to Granovsky and Gurtovoy, and as fully detailed in Note 29(L)(4) to the Company's consolidated financial statements .

Gurtovoy was given the opportunity to attend a hearing before the Tel Aviv District Attorney, before the decision was made of whether to file an indictment against him.

The matter of other suspects involved is still under investigation.

The case was investigated by the Intelligence and Trade Control Department of the Israel Securities Authority, accompanied by the Tel Aviv District Attorney's Office (taxation and economics).

14. To WFI management's knowledge, the investigation by the ISA with regards to WFI, relates to an investment of approximately US\$ 2.25 million (the "**Investment**") made during January 2016 in the form of bonds of a European company, which allegedly served as a collateral to a loan obtained by the former controlling shareholder or another individual, and which was unrelated to WFI's operations. The Investment was carried out by B.H.W.F.I Ltd., a wholly owned subsidiary of the WFI ("**BHWFI**"), pursuant to subscription forms to purchase 300 bonds with a nominal value of USD 10,000 each (the "**Subscription Forms**"). The Bonds bear an annual interest rate of 6%, payable semi-annually on June 30 and December 31 of each year as of the issue date until the final maturity date of 31 December 2018. The issuer has the right to repay the Bonds with prior notice of 30 days without penalty. On December 30, 2016, BHWFI and the issuer signed an agreement (the "**Agreement**") for an early redemption of the bonds for a total of US\$ 1.8 million to be paid by February 15, 2017. As part of the Agreement, the issuer waived all its claims against BHWFI, including an alleged obligation to make an additional investment in bonds up to an aggregate amount of US\$ 5 million (as stated above, an amount of USD 2.25 million was invested in the past). On March 21, 2017, a first payment in the amount of USD 200 thousand was received and on July 6, 2017, a second payment in the amount of USD 400 thousand was received. In light of the uncertainty of the collection of the balance of the debt in the sum of USD 1.6 million, WFINT recognised, in its financial statements for 31 December 2016, a loss in the amount of the debt balance that had not yet been paid. For further information see Note 29 (L)(4) of the consolidated financial statements.
15. On February 18, 2016, trading was suspended in WFINT's securities, whose shares are traded, as aforesaid, on the NASDAQ in the US. From a conversation between the Company's attorney and a representative of NASDAQ Listing Qualifications ("**NASDAQ**") following the aforementioned suspension of trade, WFINT received letters from NASDAQ requesting clarifications with regard to the investigation being conducted by the Israel Securities Authority in connection with the suspicion of the violation of certain sections of the Israeli Securities Law. As of the date of the statements and to the date of their publication, the WFINT responded to the questions raised in the letters, under the restrictions of the investigation. On April 7, 2016 the trading in WFINT's securities were renewed.

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 2015 as well as several updates relating to the period from 1 January 2016 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 7 Menachem Begin Road, Gibor Sport Tower (8th floor), Ramat Gan 5268102, 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.

On 20 September 2016, Yossi Willi Management and Investments Ltd ("YWMI") made a cash offer to holders of ordinary shares in the capital of the Company to acquire not less than seventeen and three quarters (17.75) per cent. and up to twenty (20) per cent. of the voting rights of the Company. The offer valued each share of the Company at GBP 27.5 pence. On 20 October 2016 YWMI announced the following modifications to the offer: (i) the minimum aggregate amount of BSD Shares proposed to be purchased was reduced from 17.75% to 6%; and (ii) the acceptance period was revised such that the offer is open for acceptance until 21 November 2016.

On November 15, 2016, YWMI announced additional modifications to the offer: (i) waiving the minimum amount of Shares to be purchased under the offer so that they will purchase all shares duly tendered; and (ii) reduced the maximum amount of shares to be purchased from 20% to 15% ;and (iii) extended the acceptance period of the offer until December 15, 2016.

On 14 December 2016 YMWI announced the extension of acceptance period until 18 January 2017. On 24 January 2017 YWMI announced the results of the offer: a total of 8,729,488 shares representing 7.94% of the Company's share capital (excluding treasury shares), as at 18 January 2017, were validly tendered under the offer. The settlement of the cash consideration was effected by 8 February 2017.

RESSTATEMENT

The Company adjusted, by way of restatement, the comparative financial information included in its consolidated financial statements, as of December 31, 2014 and January 1, 2014 and for the year ended December 31, 2014 (whereby restatement of the profit and loss for the year 2013 is reflected in the balance of retained earnings as of 1 January 2014), in order to retroactively reflect the effects of an error following the events described in Note 5 to the consolidated financial statement, on the on measurement of deposits made by the Company in Meind Bank and the International Bank of Azerbaijan and deposits made in a trust account "Alko R Capta" (together: "**Foreign Banks Deposits**")

As a result of the events detailed in Note 5 to the consolidated financial statement, and based on the assessment of the information available at this date, which was made by the Company with the assistance of its legal advisers and its accounting adviser ("**Legal Opinion**" and "**Accounting Opinion**" respectively), the Company has restated the balance of these deposits by recording an impairment of the Foreign Banks Deposits.

The Company's position following the conclusions of the Legal and Accounting Opinions is that there was a material error in the Company's financial statements as of December 31, 2014 with respect to the Foreign Banks Deposits and that the Company should have recognized the amounts which were recovered and returned to the Company as a gain in the statement of Profit or loss statement.

Consequently, the Company recorded an impairment of the entire balance of Foreign Banks Deposits (amount of USD 48 million), at the date when these deposits were made. In 2015 the Company recognised a reversal of part of the aforesaid provision in the amounts which were recovered and returned to the Company (amount of USD 5.2 million), as a gain in the statement of profit or loss. The Company also canceled interest regarding the Foreign Banks Deposits. In 2016, the amounts which were recovered and returned to the Company amounted USD 0.5 million.

Due to the fact that the error affects the opening balances of 2014, the effect of the error correction on the balances as of January 1, 2014 was also presented. For more information see Note 5 to the consolidated financial statement.

ACQUISITION OF WFI

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 -5759-1999 (the "**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 in cash of NIS 284.7 million (USD 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.

During the year 2015 the Company exercised all WFINT put options and acquired in aggregate 771,075 WFINT shares for an aggregate consideration of USD 9,253 thousands. For more information see Note 6(B) to the consolidated financial statements.

Following the completion of the last acquisition of the Williger Shares, the Company now holds 5.82% of the issued shares of WFINT directly and a further 44.11% of the issued shares of WFINT indirectly through WFI. As of 31 December 2015 the Company has no liability in respect with the WFINT Put Options.

Willi-Food is engaged, directly and through subsidiaries, in the 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 Bolivia), the United States, Canada, Western and Central Europe (the Netherlands, Belgium, 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 mainly in Israel and in a negligible volume in worldwide (for example, to the United States, the United Kingdom and France), including to supermarket chains, wholesalers and institutional consumers. 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 March 2015 its validity was extended until February 2025. 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 2015 were dairy and dairy substitute products (33 per cent) and canned vegetables (14 per cent).

In the year ended 31 December 2015, the WFI Group generated revenues of USD 80.5 million (2014: USD 58 million from the date of its acquisition by the Company, i.e. May 2014).

Total current assets for WFI Group as at 31 December, 2015 were at USD 97.8 million. Total revenues of WFI for the year ended 31 December, 2015 were at USD 80.5 million and total income from operations for the year ended 31 December, 2015 was at USD 1.5 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.

Impairment in WFI Goodwill and other assets

After the completion of the WFI Agreement, the carrying amount of the food import marketing and distribution activity ("**Food activity**") as of 31 December 2014 was estimated at approximately NIS 280.8 million (approximately USD 74.5 million) and the balance of goodwill allocated to the Food activity was USD 22.6 million. On 30 June 2015, as a result of the triggering events described below, the Company examined the recoverable amount of the Food Activity and the recoverable value as of 30 June 2015 was estimated at approximately NIS 191.3 million (approximately USD 50.8 million). As a result, the Company recorded a loss from impairment of value of Food activity in the amount of NIS 89.5 million (approximately USD 23.8 million) which was included in the Profit or Loss statement, in other loss line item and allocated to the shareholders of the Company and the non-controlling interests in accordance with their respective holdings. The loss from impairment is attributed, based on the economic valuation performed by an independent appraiser, mainly due to the following reasons:

- a. WFI results fell short of its forecasts due to, among other, deteriorating effects that occurred and grew stronger during the reporting period in the Israeli food industry, as detailed below and are not deemed as one-time events. In addition the Company came to conclusion that the differences between the results and the forecasts are not only a matter of timing differences, as a result of which WFI updated its forecasts.
- b. Structural and other changes in the Israeli food industry, including (1) debt restructuring settlement of Mega and court ordered Stay of proceedings by Eden all as detailed in Note 11(2) to the Company's consolidated financial statements, attached to this report; (2) deteriorating trade terms between the food suppliers and the Israeli food retailers emphasised by the conflict between Shufersal (the largest Israeli food retailer) and Unilever (one of the leading food suppliers in Israel); (3) development of private label by the Israeli food retailers such as Shufersal, Rami Levi Hasikma, the largest discount chain in Israel and other; (4) growing pressure applied by the Israeli food retailers to increase the discount rates provided by the food suppliers, including WFI.
- c. Below is a summary of the principal details of evaluation of impairment of WFI goodwill and other assets conducted as of June 30, 2015:

The asset	Evaluation date	Value of asset	Details of appraiser		Agreement to indemnify appraiser	Valuation model	Capitalization rate	Previous undertakings performed during the past three years
			Value of asset immediately prior to evaluation date	Appraiser				
Value of operations of WFI for evaluating impairment of goodwill recorded in the financial statements of the Company pursuant to IAS 36	30.6.2014, signed in August 2015	The value of the operations of WFI was estimated at approx. NIS 191.3 million	The book value of WFI in the books of the Company was approx. NIS 280.8 million, of which approx. NIS 87.7 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	Discounted cash flows method (DCF)	10.5 per cent	<u>February 2014</u> - evaluation of WFI for purposes of examining the investment <u>May 2014</u> - allocation of excess acquisition cost (PPA) in the context of the business combination - see below

					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			for explanation of changes in the evaluation. <u>September and December 2014-</u> evaluation of potential impairment of WFI goodwill.
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d. Below is a summary of the principal details of a previous evaluation of potential impairment of WFI goodwill conducted as of December 31, 2014.

The asset	Evaluation date	Value of asset	Details of appraiser		Agreement to indemnify appraiser	Valuation model	Capitalization rate	Previous undertakings performed during the past three years
			Value of asset immediately prior to evaluation date	Appraiser				
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 negligence and not according to accepted professional standards	Discounted cash flows method (DCF)	10.5 per cent	<u>February 2014-</u> evaluation of WFI for purposes of examining the investment <u>May 2014-</u> allocation of excess acquisition cost (PPA) in the context of the business combination - see below for explanation of changes in the evaluation. <u>September 2015-</u> Valuation of operations of WFI for purposes of evaluating impairment of goodwill - see below for explanation of changes in the evaluation

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

The asset	Evaluation date	Value of asset	Details of appraiser		Agreement to indemnify appraiser	Valuation model	Capitalization rate	Previous undertakings performed during the past three years
			Value of asset immediately prior to evaluation date	Appraiser				
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	<u>February 2014</u> - evaluation of WFI for purposes of examining the investment <u>May 2014</u> - allocation of excess acquisition cost (PPA) in the context of the business combination - see below for explanation of changes in the evaluation.

- f. 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 impairment of goodwill recorded in the financial statements of the Company pursuant to IAS 36	30.6.2015 (signed in November 2015)	329 (actual results)	26	32.8	2016-2.6 per cent 2017-2018-3.2 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	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	30.9.2014 (signed in November 2014)	333	24	49	4.9 per cent	10.5 per cent

statements of the company pursuant to IAS 36						
Evaluation of Willi Food Investments for purposes examining the investment	February 2014	415	50	75	4.6 per cent	10 per cent

- g.** Most of the difference in the value of the operations of WFI described in the above table derives from the fact that the revenues projected for the year 2014 and 2015 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.
- h.** Main assumptions used in measuring the recoverable amount
- The recoverable amount was measured by using the D.C.F method, under which 5 year and beyond forecasted cash flows were discounted by applying a discount rate of 10.5%. Cash flows for periods beyond 5 years were calculated by applying a permanent growth in the incomes factor of 2% per annum, which is slightly above population growth but much lower than the actual CAGR of WFI.
 - Revenue growth for the years 2017-2020 was based on real historical CAGRs (CPI adjusted). The WFI CAGR used was 3.2%. In 2016, a milder growth was assumed in the rate of 2.6% due to food industry consolidation effects (see above).
 - Gross profit margin – the significant investment of approximately NIS 8 million (USD 2 million) in the new logistic center made by WFI and its subsidiaries during the years 2014 -2015 was assumed to help offset the decline in gross margins due to reducing the outsourced logistics costs. Gross margin was assumed to stabilize, after 5 years, at 23.4%.

Sellers Termination Agreement

Under the WFI Agreement, the Sellers were agreed to continue, through to their own companies, to provide services to WFINT as chairman of the board of WFINT (in respect of Zwi 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). In addition, each of the Sellers was 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.

On 12 and 15 November, 2015 the Board of Directors of WFINT and the Board of Directors of WFI, respectively, each approved the terms of an agreement (the “**Termination Agreement**”) between WFINT and the Management Companies that governs the termination of the Management Agreements. Certain terms of the Termination Agreement were subject to the approval by way of special majority by WFINT shareholders, at which time ZW and JW are to resign as directors and from all other positions within WFI, WFINT and there subsidiaries. Under the terms of the Termination Agreement, amongst others things:

- 1) ZW and JW have entered into certain non-compete arrangements for the period of 12 months from the date which is 180 days after the execution of the Termination Agreement (being 12 November 2015) (the “**early notice period**”);
- 2) Subject to the full and timely fulfillment by WFINT of all of its undertakings of the Termination Agreement, ZW and JW fully and irrevocably waive and release WFINT and its shareholders (including

its controlling shareholders), subsidiaries, related companies and anyone or entity acting on their behalf from any legal claim and/or legal action and/or demand, whether known or unknown, which they may have either currently or in the future, either directly or indirectly (collectively referred to as: “**Claims**”), against any of ZW and JW, such waiver and release to include any Claim relating to the Company's purchase agreement of the controlling stake in WFI dated 2 March, 2014 (the “**WFI Controlling Stake Purchase Agreement**”), all of which are subject to certain limited exceptions enumerated in the Termination Agreement;

- 3) Subject to the full and timely fulfillment by ZW and JW of all of their undertakings set forth in the Termination Agreement and any applicable law, including the provisions of the Israel Companies Law and Israel Securities Law, WFINT fully and irrevocably waives and releases ZW and JW from all Claims, which WFINT may have currently or may have in the future, either directly or by way of WFI and/or any of their subsidiaries, against either of ZW or JW, all of which are subject to exceptions limited set forth in the Termination Agreement;
- 4) The Termination Agreement also provides for certain payments from WFINT that has been made to ZW and JW, including the payment of performance bonuses of NIS 2 million (approximately USD 512 thousand) and retirement bonuses of NIS 1.67 million (approximately USD 428 thousand) to each of ZW and JW which is in addition to the payment of a WFINT's management fee of NIS 1.67 million (approximately USD 428 thousand) during the year following the notice period, to each of ZW and JW.

On November 11, 2015, in connection with the arrangements described above, the Board of the Company approved the Company's entry into of a mutual waiver and release from all claims with the Sellers (the “**Company Waiver**”). The Company Waiver was conditional upon, amongst other things: (i) the approval of the Termination Agreement in general meeting of WFINT and (ii) the payment of approximately USD 1.6 million to the extent that the Sellers exercise the put option granted to them as part of the terms of the WFI Controlling Stake Purchase Agreement. In addition, as part of the Termination Agreement, the Company and the Sellers sign on a waiver that confirm that the Company will not need to the non-compete payment and the non-compete period will be 12 months from the date which is 180 days after the execution of the Termination Agreement.

On 21 January 2016 after the Termination Agreement was approved by the Special Meeting of Shareholders on 13 January 2016, the Sellers resigned from the WFINT's Board of Directors and all other positions within WFI, WFINT and there subsidiaries.

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 be continue it's actively involvement in the management of Willi-Food and to improve the results and profitability of Willi-Food, which should create a value for the Company and its shareholders.

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. 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. On 24 June 2016, the Company filed a petition for rehearing and rehearing (the "**Petition for Rehearing**") En Banc of its appeal on the verdict by the District Court of Northern California (the "**Court**") on the Order for infringement of the Company's Patent for live streaming. On 1 August 2016 the Court has denied the Petition for Rehearing.

Microsoft

On June 2015 a final settlement was signed between the Company to Microsoft pursuant to a claim filed by the Company against Microsoft regarding the infringement of the BSD's U.S. patent no. 6,389,473 for media streaming technology by Microsoft (the "**Agreement**"). In accordance with the Agreement, Microsoft paid the Company the agreed amount with full mutual releases and license, covenant not to sue, and waivers. The Agreement remains in full force and effect until the expiration of the Patent's Term.

PREVAILING LITIGATION

- A. On 3 January 2016 a motion for discovery was served by Mr. Eldad Levi, who claimed to own 18,652 shares in the Company.

Mr. Levi requested the disclosure of documents relating to the Company's deposits with Meir Bank and IBAR.

On 6 January 2016 the Company and BGI were served with a motion for discovery, before derivative action, by Mr. Dan Iram, who claims to own 3,100 shares in BGI (the "Motion").

The Motion is requesting the disclosure of certain documents and board minutes relating to certain bank accounts held by the Company and BGI and their subsidiaries in Austria and Azerbaijan, as well disclosure of certain other documents from the relevant banks. On 11 August 2016 the Court has rejected the Motion due to concern of compromising the investigation.

On July 19, 2016 the Company received a request to approve a derivative action, on behalf of the Company and BGI, against the Company's previous officers and auditors ("**Respondents**") , regarding damages allegedly caused to the Company due to the deposits in foreign banks, for the total amount of approximately USD 50 million. This has been filed with the Economic Department of the Israeli District Court in Tel Aviv. As a result of ongoing investigation as described below the court postpone the filing of the Respondent's response until 25 December 2017.

- B. The Company and some of its past directors and officers were named as defendants in three separate claims (two 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. For further information see Note 21(A)(1) to the consolidated financial statement.
- C. Following the sale of 19,350,000 of Company's Ordinary Shares as described in the Shareholder Highlight section, on 3 September 2017 a motion for interim injunctions and an Originated Motion was served to the Economic Department of the Tel-Aviv District Court against the Company and its directors with respect to the sale of the shares and the appointment of an external director. For further information see Note 1(D) to the consolidated financial statements.

WFI Group Legal proceedings

- D. In July 2017 two claims were requested to be approved as class actions under the Class Actions Law, 2006 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 total amount of claims, if approved as class actions, was estimated by the plaintiff at approximately NIS 7 million (approximately USD 1.8 million). As the preliminary stage of the claims WFI legal advisors couldn't estimate the chances of the claim. WFI and the plaintiffs have reached a settlements in which the plaintiffs will withdraw the claims and such claims will be dismissed with immaterial amounts for WFI. With respect to the claim for the amount of NIS 4 million, on 23 November 2017 the court approve the settlement of the claim and its dismissal. WFI filed the settlement with respect to the NIS 3 million claim for the courts approval, which was not yet received to date.

- E. In October 2013, WFINT 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 WFINT, 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 WFINT, WFINT has a marginal probability to cause the cancellation of the notice of charge, and it, therefore, made a partial provision in its financial statements with respect to the notice of charge. According to the assessment by WFINT'S legal advisors in 2014, WFINT had a marginal chance of causing the charges to be cancelled, and therefore a partial provision was made in the financial statements with respect to the charge notice. In June 2014 and August 2015, a District Court denied appeals in similar cases by other food products companies. On December 2, 2015, the Supreme Court heard motions to appeal in the matter of inclusion of costs of kosher certification in the value of goods imported, for tax purposes, and denied the motions to appeal, and thus confirmed that the judgments rendered by the District Courts. In light of the aforesaid, the chances that the WFINT lawsuit will succeed are very low, and WFI has reached agreements with the Tax Authority that its lawsuit will be withdrawn without order for costs. The Company recognized expenditures with respect to the costs of kosher certification in the sum of approximately NIS 0.6 million (USD 154 thousands) in the statement of profit or loss for the year ended 31 December 2015. In the beginning of 2016, WFI paid the entire shortfall amount including interest, linkage, and VAT, in the sum of approximately NIS 0.8 million, (USD 205 thousands).
- F. On 27 July 2017 a labor claim was filed by Mr. Iram Graiver, former CEO of WFINT and president of WFINT, against WFINT to the Regional Labor Court in Tel-Aviv in the amount of approximately NIS 2.4 million (USD 670 thousands) with respect to the termination of his employment on 5 July 2017. On 27 July 2017 WFINT filed a counterclaim against the employee, with respect to disbursement of funds without having received the requisite approvals in accordance with applicable law, in the amount of approximately NIS 1.7 million (USD 475 thousands). Taking note of the preliminary stage of this case, it is not yet possible to assess the likelihood of the lawsuit's success. In accordance with the above, the WFI's management stipulates that the registration in WFI's Financial Statements and in Notes to the Financial Statements with respect to the proceeding matters above, is sufficient. On 6 July 2017, Mr. Tim Cranko was nominated as CEO of WFI and WFINT. On 28 November 2017 Mr. Cranko resigned from his position which will take effect on 31 December 2017.
- G. On February 24, 2016, a motion to certify a class action claim (the "**Motion**") was received at the WFI's offices. The motion was submitted to the Economic Division of the District Court in Tel Aviv by the Yaad Pe'er Management Services Ltd. (the "**Petitioner**") company, which claims it holds shares in WFI. The lawsuit is against all of WFINT's directors as well as officers in WFINT. The Company and WFINT were joined as respondents to the motion.

The certification motion deals with the Petitioner's claim of damages incurred by WFI, which are assessed by the Petitioner at the filing of the motion, at approximately USD 3 million because of claimed breaches of the duties of faith, care, and skill, by the directors and officers toward WFI in connection with an investment in the sum of USD 3 million in a company registered in the Czech Republic, and that holds a hotel in the Czech Republic that is inactive. The Petitioner claims that the investment has no connection to WFI's activities, and it apparently serves in assisting the former controlling shareholder in the Company in other matters or to cover other obligations that he has.

Taking note of the investigation being conducted by the Securities Authority (the "Authority"), inter alia, regarding matters that have arisen in the framework of this litigation, and the restrictions that were imposed to prevent the WFI's officers who are respondents to the certification motion from conversing with the WFI's attorneys in the framework of the certification motion – the deadline for submission of the WFI's response to the motion to certify a derivative lawsuit has been extended. On September 27, 2016, the Authority filed a notice updating the court, in which it requested that the restrictions that it imposed remain in effect for an additional 6 months. On October 5, 2016, WFI submitted a response to the Authority's update notice, in which it requested an extension of the deadline for submission of the WFI's response to the certification motion to 60 days after the restrictions imposed by the Authority are removed. On January 22, 2017, the court held that in light of the Authority's restrictions, at this stage, the deadline for submission of the Company's response must be postponed. On May 10, after the court re-examined the Petitioner's claim, the court decided that the deadline for submission of its response will be at least 60 days from the date on which the restrictions imposed by the Authority are removed. On 3 July 2017 the court decided that the Authority must file an update to its notice by 15 September 2017. On 14 September 2017, the Authority submitted an update notice to the Court, stating that the restrictions had not yet been removed. On September 14, 2017, the Court decided that the Authority must submit an additional update to the Court by 7 December 2017.

EMOZE LTD ("EMOZE")

As of 31 December 2015 the Company held a 95 per cent of EMOZE which was a provider of transparent, synchronised mobile push messaging and push content solutions for handset manufactures, mobile operators and enterprises. EMOZE supported all major email providers, instant messaging services and social networks. EMOZE push messaging solution was 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 was based on reliable, redundant scalable server-technology that offers a low TCO and quick-to-market deployment.

EMOZE developed a new products based on BSD and EMOZE technology the REALIFY. REALIFY was a new application available for Smartphone devices allowing the user to create his own social TV broadcasting channel on the go. This application was available for Smartphone users (Google play store & Apple store).

In the year ended 31 December 2015, EMOZE generated USD 1.2 million in revenues (2014: USD 0.3 million) and total loss of USD 0.5 million (2014: USD 1.6 million).

Since 2014 and until 2016, 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 decreased.

On 30 August 2016, a hearing regarding EMOZE (that does not represent a separate major line of business), was held at the Israeli District court in Tel Aviv, in which the Court decided to appoint a temporary liquidator (the "Temporary Liquidator"). The Temporary Liquidator was authorized to capture all EMOZE 's assets including intangible assets and patents to secure and insurance them. Since that date the Company no longer controls EMOZE and therefore EMOZE will not be consolidated in the Company's consolidated financial statements starting from that date. Based on the information currently available to the management, management does not expect that the above will have a significant effect on the Group's financial statements.

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. Set out below are the main features of the internal control and risk management system related to Company's financial reporting process.

Having carried out a robust assessment of the principles risk facing the Company, it 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, securities and marketable securities (debentures) held in several Israeli and international financial institutions.

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 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.

1.7 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 for the date of this report all 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 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.

2.2 *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.

2.3 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.

2.4 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.

2.5 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**") in effect until 31 December 2017. The Group is served as Arla's sole and exclusive agent and distributor in Israel of certain products ("**Exclusive Distribution Agreement**").

On October 19, 2017 WFINT announced it received a notice from Arla in which Arla notified WFINT that it wishes to terminate the Exclusive Distribution Agreement effective as of December 31, 2017.

The termination of the Exclusive Distribution Agreement with Arla may have a significant negative impact on WFI Group operating results although the Group believes that it will be able to enter into agreements in the near future with alternative suppliers for a portion of the products currently distributed for Arla.

Meetings between WFI's subsidiary and Arla were held during the past weeks and the parties agreed that WFI's subsidiary will continue to purchase Arla's products for the first half of 2018. WFI's subsidiary intends to continue its discussion with Arla.

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.

2.6 Risks associated with the Group's dependence on key customers

The Group's main customer, Shufersal Ltd represented 18 per cent of Willi-Food's income for the year ended 31 December 2015. 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.

On 29 April 2016, the Company announced that it will not be able to publish its annual financial statement for the year ended 31 December 2015 (the "**Annual Financial Statements**") by 30 April 2016, as required by the Listing Rules and the Disclosure and Transparency Rules. Given the delay in publishing the Annual Financial Statements, the Company requested that trading in its shares be temporarily suspended with effect from 29 April 2016 pending the publication of the Annual Financial Statements.

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.

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.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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.

The Board considers that the internal controls in place are appropriate for the size, complexity and the risk profile of the Group. The key elements of the Group's control system include:

- maintaining frequent communication with the Company's subsidiary management
- 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 reviews the consolidated financial statements to ensure appropriate financial reporting. In this scope the financial statement committee reviews the main assumptions and estimate made by the management, appropriateness of accounting policies applied and adequacy of the overall presentation and discloser maid in the financial statements. The findings of the Financial Statements Committee are communicated to the Board;
- 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.; 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.

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 articles of association and by the Israeli Companies 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.

FINANCIAL POSITION

The Company's shareholders equity has significantly eroded as result of (a) significant losses in prior years following the decline in the value of the Foreign Bank Deposits, as a result of an alleged fraud by the former controlling shareholders of the Company, as more fully described in Note 5 to the Company's consolidated financial statements; (b) the impairment of goodwill and intangible assets as detailed in Note 7 to the Company's consolidated financial statements. Additionally several lawsuits were filed against the Company and its subsidiaries as detailed in Note 21 and Note 29(K) to the Company's consolidated financial statements. The Company's management and directors have reviewed the performance and forecasts of the Company. The management and directors have concluded that the Company has adequate resources to continue its operations in the foreseeable future. Following a review of the Company's 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 is acting to preserve its investment in WFI and is continuing with its efforts to increase its value by being actively involved in WFI management through its nominee board members to WFI and its subsidiary board. Additionally the current active chairman and several of the Company's board members have years of experience in the Food industry. The Company is acting to reinstate the trading in the Company's shares on the London Stock Exchange, following the publication of its financial statements and the ongoing compliance with the UK Listing Rules.

RESPONSIBILITY STATEMENT

The Board are responsible for preparing the consolidated financial statements of BSD. 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.
- The consolidated financial statements of BSD, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board,

Joseph Williger, Active Chairman

30 November 2017

BOARD OF DIRECTORS

ACTING BOARD OF DIRECTORS

Mr. Joseph Williger *Active Chairman, as from 5 May 2017.* Mr. Williger is a member of the board of Y.M Dekel Holdings and Investments Ltd and Yossi Willi Management and Investments Ltd, both private companies. Mr. Williger is also a member of the Presidium of the Chamber of Commerce Israel and serves as the chairman of the Committee of import and customs Israel Chamber of Commerce. Mr. Williger attended Business Administration studies in California State University, Los Angeles for two years, and Business Administration studies in Bar-Ilan University, Israel, for one year. Mr. Williger has held positions as a chairman at Willi-Food Investments Ltd, and as Chief Executive Officer, president and director at G. Willi-food International Ltd.

Mr. Zwi Williger *Non-Executive Director, as from 29 May 2017.* Mr. Zwi Williger also serves as a director in Zvi. V & Co. Ltd. and Titanic Ltd., both private companies. Mr. Williger is one of the founders of Willi Food group and has held positions as a CEO and director in Willi-Food Investments Ltd. and as an active chairman in G. Willi-Food International Ltd. and its subsidiaries. Mr. Williger attended Business Administration studies in Fresno California University, for two years and advance management program in Harvard University, for two months.

Mrs. Iris Even-Tov *Non-Executive and External Director, as from 20 July 2016 (A/FBC/R).* Mrs. Even-Tov also serves as an external director in accordance with the Israeli Companies Law. Mrs. Even-Tov was appointed as a board member of the Company in July 2016. Mrs. Even-Tov is a certified public accountant in Israel and the Chief Executive Officer and Founder of Business Growth, a company providing financial services and CFO solutions to start-up companies in the gaming, medical devices and other industries. Mrs. Even-Tov served as Financial Controller at Pilat Technologies International Ltd and PMS Group Ltd (2006-2008). She was also the financial controller at Star Night Technologies Ltd. (2010-2011). Mrs. Even-Tov has previously served as a board member of PMS Group Ltd, Alonei Meitar Ltd. and ABE Trans Ltd. She is currently a director at RSL Electronics Ltd, an Israeli public company traded on the Tel Aviv Stock Exchange. Mrs. Even-Tov holds a Bachelor's degree in Business Management majoring in accounting from The College of Management and Academic Studies.

Mr. Shmuel Messenberg *Non-Executive Director, as from 5 May 2017.* Mr. Messenberg is a member of the board of Nafta-Israel Petroleum Company Ltd., I.E.S Holdings Ltd., Mimun Yashir Ltd, Africa Megurim Israel Ltd., Norstar Holdings Ltd, and Iintoo GP Public Llc. He is a managing partner at Sigma City Fund, and consulted in mergers and acquisitions and investment banking. Mr. Messenberg was a member of the board of Norstar Holdings Ltd., Mercantile Discount Bank Ltd., Keren Midas Investments Ltd., Arad Investment and Industry Ltd., Psagot Securities Ltd and Willi-Food Investments Ltd. Mr. Messenberg holds a bachelor of arts in economics and an MBA, both from Tel-Aviv University.

Mr. Gil Hochboim *Non-Executive Director, as from 7 May 2017 (FBC).* Mr. Hochboim is the CFO of S.R. Accord Ltd., a public Israeli company traded in TASE which active in the finance market. Mr. Hochboim served more than 15 years as the CEO and CFO in Willi Food Investments Ltd. and G. Willi Food International Ltd. Mr. Hochboim is a certified public accountant (Israel) and holds a Bachelor's degree in Business Management and Accounting from The Academic College of Management, Israel.

Mrs. Keren Marcus *non-executive director, as from 5 May 2017.* Mrs. Marcus has 16 years of experience at corporate and commercial law. She served as Vice President Legal Counsel and Business Development at Carnie Capital Ltd., a private company, focusing on private equity investments in Israel, UK and Africa. Mrs. Marcus was a director at various private companies, such as Carnie Capital, Xfone 018 Ltd., Shapira

Marcus Greenberg Engineers Ltd. Mrs. Marcus holds a law bachelor degree from College of Management, Israel, a law master degree in commercial law from Tel-Aviv University and has successfully graduated the Tal Aviv University program for directors and senior management.

Mr. Avi Zigelman *non-executive director, as from 5 May 2017 (A/FBC/R)*, CPA. Mr. Zigelman is a member of the board of Exalenz Bioscience Ltd., and was a board member of Mizrahi Tefahot Bank Ltd., Ultra Equity Investments, Clal Biotechnology Industries Ltd., Tefron Ltd., Ormat Industries Ltd., Gindi Investments Ltd etc., and has many years' experience serving as Chairman of Audit Committees, Chairman of Financial Statement Review Committees and additional non- executive positions. Mr. Zigelman, holds a B.A. in Accounting and Economics (Economics with honors), and a M.A. in Business Economics, (with honors), both from Tel-Aviv University.

Mr. Shlomo Wertheim *non-executive and External Director, as from 5 May 2017 (A/FBC/R)*. Mr. Wertheim serves as an external director in accordance with the Israeli Companies Law. Mr. Wertheim, has almost 40 years of experience in the practice of law, has served as a director in public companies for 10 years and is an arbitrator registered with the Israeli Bar Association. Mr. Wertheim received his law degree from Tel Aviv University in 1977 has handled corporate and debt transactions for private companies and public companies as well as gaining experience in handling corporate recovery matters and creditor arrangements.

The aforesaid board members approved the consolidated financial statements as of 31 December 2015

The Active Chairman of the Board is not the Company's Chief Executive Officer. The Company currently does not have Deputy Chairman and Chief Executive Officer.

A - Member of the Audit Committee

FBC – Member of the Financial Balance Committee

R - Member of the Remuneration Committee

CORPORATE SECRETARY

Until July 2015, Eyal Merdler served as the corporate secretary of the Company and also as the Company's Chief Financial Officer. Pursuant to the change of control in the ultimate controlling shareholders, BGI, as described above, on 16 July 2015 the Company nominated Mr. Emil Budilovsky who served as an Executive Director and vice-president of business development of the Company, in addition to other positions in the Company, as the Company Secretary. On December 8 2015 Mr. Budilovsky announced that he stepped down from his positions in the Company. The Company's managements and board of directors ensures the compliance by the management with all procedures so as to ensure the protection of the rights of the Company's shareholders.

INTERNAL CONTROLLER

During 2015 the Company's internal controller was responsible for the conduct of all internal auditing at the Company, and had a key role in the management of risks of the Company and contributed to safeguarding the shareholders' investment and rights in the Company and the Company's assets. The internal controller reported to the Audit Committee of the Board which approved its work plan and reviewed report and it supervised the financial statements preparation statements. In addition, the internal controller enabled 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 2015, 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 a company with a Standard Listing, the Company is not required to comply with the 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 (the "**UK Corporate Governance Code**"). A copy of the UK Corporate Governance Code can be found at the following website address: <http://www.frc.org.uk>. 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 Company has not complied with the requirement under the UK Corporate Governance Code to have a Nomination Committee. Instead, the Company complies with Israeli law with respect to the nomination of members of the Board of Directors.

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, approving any change to the articles of association of the Company. 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 5 July, 2016.

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, the Financial Balance Committee and Remuneration 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. These are matters specifically reserved to the Board for its decision. Other matters are delegated to management.

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 31 December 2015, the Board comprised the following members:

Rabbi Abraham Wolff, the former Chairman (between the dates 14 August 2013 and 1 April 2015); Oleksander Granovsky the former Chairman (between the dates 1 April 2015 and 17 July 2015); Gregory Gurtovoy the former Chairman (between the dates 17 July 2015 and 5 May 2017); Jossef Schneerson, former Chief Executive Officer and Vice Chairman (between the dates 14 August 2013 and 5 July 2016); Emil Budilovsky, the former Joint CEO and CFO (between the dates 1 April 2015 and 8 December 2015), as an executive director; Zvi Shur (between the dates September 2007 and 24 November 2016), an independent non-executive and External Director; Yossef Schvinger (between the dates 14 August 2013 and 5 July 2016), non-executive and External Director; Chanoch Winderboim (between the dates 14 August 2013 and 5 July 2016), a non-executive director; Keren Arad-Leibovitz, an independent, non-executive and External Director (between the dates 30 December 2013 and 12 July 2015); and Olexander Abdayev (between the dates 17 July 2015 and 5 July 2016), as a non-executive 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 ensuring 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, and regularly reviews and agrees with each director their training and development needs.

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. To the date hereof, the Company's subsidiary WFI, is managed, by the current Active Chairman, Mr. Joseph Williger together with professional management teams, three board members of the Company are acting as board members in WFI, thus allowing the Company to control its main asset in a way that should raise the Company's value. 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. By an ordinary resolution of shareholders any member of the Board can be removed.

Under 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, financial position, 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, and also have access to the advice and services of the financial controller who is responsible to the Board for ensuring that Board procedures are complied with. As of 31 December 2015, the past chairman of the Board, Mr. Gregory Gurtovoy held, through its holding in Israel 18, 19.01 per cent of the voting rights of the Company's shares and Jossef Schneorson, the past Chief Executive Officer and past Vice Chairman of the Company, held 4.95 per cent of Israel 18 (according to the outstanding shares as of 31 December 2015). To the Company's best knowledge, all other directors and their respective immediate families had no direct or indirect interests, both beneficial and non-beneficial, in the ordinary shares of the Company at 31 December 2015.

As at the day hereof, the current active chairman, Mr. Joseph Williger, holds through his companies, 23.68 per cent of the Company's shares. The current director, Mr. Zvi Williger holds directly and indirectly 8.5 per cent of Company's shares. To the Company's best knowledge, all other 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 the day of this report.

Under Israeli law, the Board of Directors of an Israeli company has the power to cause the company to either issue or repurchase securities of such company, subject to the conditions set forth in the Israeli Companies Law and the company's articles of association as well as any agreement to which such company is party.

The Company does not comply with the requirement under the UK Corporate Governance Code that its Board's Committees' and individual Directors' evaluate their performance on an ongoing basis since the Company follows in this respect the Israeli Companies Law.

SHARE CAPITAL

Total number of issued shares of the Company as at 31 December 2015: 140,578,154

Total number of issued and outstanding shares of the Company as at 31 December 2015: 109,990,252.

On 22 August 2017 the Company has completed the sale of 19,350,000 of its ordinary shares held in treasury, nominal value NIS0.01 per share (the "**Purchased Shares**"), representing (after the sale thereof) 14.96% of the Company's issued and outstanding share capital, at a purchase price of Pound Sterling 0.25 per Purchased Share, for an aggregate amount of Pound Sterling 4,837,500. The purchasers of the Purchased Shares have confirmed to the Company that they are EEA residents and that they are unaffiliated with the Company and are not material shareholders of the Company. In the event that the suspension from trading of the Company's shares on the London Stock Exchange is not cancelled within 120 days following the consummation of such sales, the purchase price shall be reduced by Pound Sterling 0.05 per Purchased Share. The funds paid to the Company are used by the Company for its general operations.

Following the sale of the Purchased Shares, the Company's issued and outstanding share capital consists of 129,340,252 Ordinary Shares and 11,237,902 Ordinary Shares held in treasury.

On 3 September 2017 a motion for interim injunction and Originated Motion was submitted to the Economic Department of the Tel-Aviv District Court against the Company and its directors with respect to the sale of the shares and with respect to the appointment of an external director.

For further information see Note 29(K) to the consolidated financial statement.

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 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, and at least quarterly. 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. A budget is discussed and approved by the Board for the following year in each board meeting which approves the financial statement. 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 one 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 board of directors attendance at scheduled Board meetings and at meetings of the Audit, Financial Balance and Remuneration Committees during the year ended 31 December 2015:

Meetings held in 2015	Board	Audit/FBC	Remuneration
<u>Meetings attended:</u>			
Abraham Wolff	-	n/a	n/a
Alexander Granovsky	100%	n/a	n/a
Gregory Gurtovoy	100%	n/a	n/a
Jossef Schneerson	100%	n/a	n/a
Yossef Schvinger	100%	100%	100%
Chanoch Winderboim	93%	50%	n/a
Zvi Shur	86%	100%	100%
Keren Arad-Leibovitz	100%	100%	100%
Olexander Avdyeyev	100%	n/a	n/a
Emil Budilovsky	100%	n/a	n/a

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

During 2015, 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) should 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. 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.

As of the day hereof, Mrs. Iris Even-Tov and Mr. Shlomo Wertheim serves as external directors within the meaning of "external" as defined in the Israeli Companies Law and as independent non-executive directors in accordance with the UK Corporate Governance Code. The senior external director is Mrs. Iris Even-Tov. 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. As of the day hereof, the Company complies with certain of the provisions of the UK Corporate Governance Code. The Company's Board include an Active Chairman, two independent non-executive directors which serves as external directors and five 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 two. As of today Mr. Shlomo Wertheim, and Mrs. Iris Even-Tov is 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. As of the day hereof, the Company has at least two independent directors- Mrs. Iris Even-Tov and Mr. Shlomo Wertheim (who were elected as External Directors under the Israeli Companies Law).

The Board has determined that Mrs. Iris Even-Tov and Mr. Shlomo Wertheim have the requisite accounting, financial and professional expertise as required of External Directors under the Israeli Companies Law. Iris Even-Tov was appointed as External Director of the Company at the annual general meeting on 5 July 2016 for a period of three years and Mr. Shlomo Wertheim was appointed as External Director of the Company at the extraordinary general meeting on 5 May 2017 for a period of three years.

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.

As of the day hereof, the Board has determined that Mrs. Iris Even-Tov and Mr. Shlomo Wertheim 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 of 7 May 2017 the Company's Active Chairmain of the Board is Mr. Joseph Williger who holds as of the date of these financial statements, 23.68% of the outstanding share capital of the Company .

The Company complies with certain requirements under Israeli law with respect to the appointment of non-executive directors (including external directors, who must comply with certain requirements under Israeli law in order to be eligible for appointment as such) and their conduct after being appointed.

Minutes of meetings of a board of directors of an Israeli company are expected to reflect the matters discussed by the board members.

Under Israeli law, external directors of Israeli companies whose securities are listed on the London Stock Exchange may be appointed for up to three three-year terms.

Where Directors have concerns which cannot be resolved about the management of the Company or a particular matter they should ensure that their concerns are recorded in the Board Minutes.

The company will institute and provide a sounding Board for the Chairman and serves as an intermediary with the other Directors when necessary and is also available to Shareholders if they have concerns where

contact through the normal channels of Chairman, Chief Executive or other Executive Directors has failed to resolve the matter or where such contact is appropriate.

Each director prior to his appointment presented the shareholders with a director declaration pursuant to the Israeli Companies Law. The Company does not appoint directors via appointment letters, and hence no such letters have been made available for inspection at the Company's annual general meeting in accordance with the UK corporate governance code.

BOARD COMMITTEES

The Board has established Audit, Financial Balance, and Remuneration 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. In addition, the Board may appoint from time to time other committees and delegate to them certain responsibilities, subject to applicable law. For example, recently the Board appointed a committee for the renewal of the trading in the Company's shares on the London Stock Exchange.

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. As of the day of the report the Audit Committee chaired by Shlomo Wertheim, Non-Executive, External director. The Audit Committee will generally 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 and the Audit Committee comprises three members which includes two independent members non-executive directors: Mrs. Iris Even-Tov (External Director) and Mr. Shlomo Wertheim (External Director) and also Mr. Avi Zigelman (non-executive director).

The Board has determined that the two 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 Iris Even Tov and Shlomo Wertheim are 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 four times 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 61.65 per cent subsidiary WFI and its subsidiaries.

As of 19 January 2015, and following the recommendation of the Company's Audit Committee, the Board and the approval of the general meeting held on 19 January 2015, the Company's independent auditors are Brightman Almagor Zohar & Co., a registered accounting firm and a part of Deloitte Touche Tohmatsu Limited ("Deloitte Israel") who are also the independent auditors of Willi-Food before its acquisition by the Company. The Board and the Company's Audit Committee consider that it presents greater efficiency and value for the Company to engage the same firm of independent auditors for the entire Group, so as to minimize costs to the Company and prevent duplication of the work. The general meeting held on 25 September 2017 approved to the re-appointment of Deloitte Israel as the Company's independent auditors

and to also serve as the Company's auditors for the year ending December 31, 2017 and until the appointment of independent auditors at the next annual general meeting of the Company.

The Audit Committee has recommended the re-appointing of Deloitte Israel as the Company's external auditors, inter alia, after considering the following considerations:

1. Deloitte Israel also serves as WFI external auditors;
2. Deloitte Israel is a leading firm and one of the largest 'big 4' firms in Israel;

Deloitte Israel is part of Deloitte Touche Tohmatsu Limited which have significant knowledge and understanding of publicly traded companies. For the year ended 31 December 2016, the Board of the Company, upon the recommendation of the Audit Committee, has determined the audit remuneration of its external auditors at USD 97 thousand. This amount is to include the audits for the periods ending 31 December 2016, 31 December 2015 in conformity with IFRS, the review of the Company's Interim Reports for the period ending 30 June 2016 in conformity with IFRS and the 2014 and 2015 annual Israeli tax returns of the Company and its subsidiaries.

The Company complies with the Israeli Companies Law with respect to the appointment of its external auditors, and the discharge of the Audit Committees' responsibility regarding the external audit process.

The members of the Audit Committee are also members of the Financial Balance Committee. See the following section with respect to the significant issues that the committee considered in relation to these financial statements, and how these issues were accordingly addressed.

FINANCIAL BALANCE COMMITTEE

Pursuant to the Israeli Companies Law, Israeli companies must 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.

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. To the date of the report, the Financial Statements Committee is chaired by Mr. Shlomo Wertheim, an External Director. In addition, all of the Company's External Directors shall be the members of the Financial Statements Committee 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.

As of the date of the report the Financial Statements Committee of the Company includes two independent non-executive directors: Mrs. Iris Even-Tov (External Director) and Mr. Shlomo Wertheim (External Director) and also Mr. Avi Zeligman (non-executive director). The members bring wide-ranging financial, commercial and management experience to the work of the Financial Statements Committee.

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.

Significant issues considered in relation to financial statements:

1. The Company has adjusted, by way of restatement, the comparative financial information included in its consolidated financial statements, as of 31 December 2014 and 1 January 2014 and for the year ended 31 December 2014 (whereby restatement of the profit and loss for the year 2013 is reflected in the balance of retained earnings as of 1 January 2014), in order to retroactively reflect the effects of the events described in Note 5 in the Company's consolidated financial statements, with regards to the deposits made by the Company and its previous officers in Meir Bank and the International Bank of Azerbaijan and deposits made in a trust account "Alko R Capta" (together: " Foreign Banks Deposits").
2. On 30 June 2015, as a result of the triggering events described in Note 7(1) and Note 7(2) to the Company's consolidated financial statements, the Company examined the recoverable amount of food import marketing and distribution of WFI through its subsidiaries.

The Company's board members addressed the significant issues as detailed above, as follow:

- a. The Financial Statements Committee received legal and accounting opinions, both from leading experts with regards to the Foreign Banks Deposits.
- b. The Financial Statements Committee includes two directors with financial expertise and additional board members were also included in the meetings that approved the financial statements.
- c. Numerous discussions and deliberations were held by the Financial Statement Committee and the full board prior to the approval of 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.

As of the date of this report, the Remuneration Committee is made up of three members which includes: Mrs. Iris Even-Tov (External Director) Mr. Shlomo Wertheim (External Director) and Mr. Avi Zeligman (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 and chairman. 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 Company does not have a Nomination Committee as matters normally reserved for this Committee are dealt with by the full Board.

The general meeting of the Company's shareholders approved on 8 September 2014 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. The level of remuneration for the non-executive directors reflects their commitment and responsibilities.

EMPLOYEES

The Company's employees are all located in Israel. The Group carefully monitors its overhead and employment expenditure to insure streamlined and efficient operation, both on the cost side and from a professional aspect. The Group 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. The Company 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, 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.

As of 31 December 2016, the Group has 136 employees.

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

<i>Company</i>	<i>Total No. of Employees</i>	<i>Management</i>	<i>Accounting and Import</i>	<i>Sales</i>	<i>Research & Development</i>	<i>Administration & Logistics</i>
BSD Group	136	9	26	30	0	71

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).

The Board have not considered it necessary to take steps to ensure they understand the views of the Company's major shareholders as those shareholders have had representation on the Board during the accounting period.

SHARES IN PUBLIC HANDS

To the date of the publication of the reports and to the best of the knowledge of the Company pursuant to public information available to the Company, the Company has maintained a free float as required by the Listing Rules, namely at least 25% of the Company's issued share capital was held by EEA persons.

As of the date of issuing these financial statements and following the sale of the Purchased Shares, as fully described in Share Capital chapter, the Company's issued share capital consists of 129,340,252 Ordinary Shares and 11,237,902 Ordinary Shares held 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 of the date of the report is 140,578,154 of which, 129,340,252 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 29 November 2017, 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 (**)
Y.M Dekel holdings and Investments and Yossi Willi Management and Investment Ltd.	30,624,669	23.68
Zvi Williger and Zvi and Partners	10,995,290	8.5
BGI Group (*)	27,100,000	20.95
Israel 18 (*)	6,092,233	4.71
Power Gate (*)	4,541,524	3.51
Adv. Kobi Amster as Trustee (*)	10,278,451	7.95
Donald L. Sturm and the Sturm Family Foundation	9,106,600	7.04

(*) To the best knowledge of the Company as of the day hereof, BGI Investments (1961) Ltd. along with its direct and indirect subsidiaries (the "**BGI Group**") owns 20.95% of the Company's shares and Israel 18 B.V. ("**Israel 18**") has a contractual right to 16.17% of the Company's shares, which right is subject to a pledge.

(**) After the sale of the Company's shares as explained in Share Capital section above.

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.

On 8 December 2015 Mr. Emil Budilovsky stepped down from his position as Joint CEO, CFO and Company Secretary. Mr Budilovsky also resigned from the board of directors of the Company. Mr Budilovsky remained as Vice-President for Business Development until April 2016. Consequently since that day there is no acting CFO to the Company.

On 24 August 2016 the Board of Directors notified Mr. Schneorson that his management services agreement with the Company were terminated with immediate effect. Consequently since that day he ceased to act as the Company CEO. Therefor as the date of this report there is no active CEO.

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 past Company's chief executive officer.

The key terms of the Schneorson Agreement were:

- (a) Mr Schneorson provided 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 was not an employee of the Company.
- (b) Mr Schneorson spent 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 provided services to the subsidiaries of the Company as may be required from time to time.

- (c) Mr Schneorson was entitled to act as a director of other companies and to pursue other business interests, in each case provided that this didn't prejudice the provision of his services to the Company.
- (d) Mr Schneorson was 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 was 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 was not entitled to any social benefits accruing to an employee pursuant to Israeli law.
- (e) The services agreement was set initial term of three years and may could 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. Mr Schneorson was awarded for a bonus upon his departure, in accordance with the Company's remuneration policy.

On 24 August 2016, the Board of Directors notified Mr. Schneorson, that his management services agreement with the Company was terminated with immediate effect in light of the events that occurred at that time and were published by the Company. Consequently, he ceased to act as the Company CEO from that date.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive directors is 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 2015 and of the date of this report.

MANAGEMENT AGREEMENT

- (a) 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**"), pursuant to which the Company will provide certain services to BGI, including 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 USD 9 thousands as at 31 December 2015), plus 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.

On May 2017 BSD informed BGI of the termination of the Management Agreement with immediate effect. As a result of unpaid debts to the Company by BGI with respect to the monthly management fees, the Company filed on June 2017 a request for liquidation against BGI with the economic department of the Tel – Aviv District Court.

B.S.D CROWN LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2015

B.S.D CROWN LTD.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015

IN U.S. DOLLARS

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INDEPENDENT AUDITOR'S REPORT

To the General Meeting of B.S.D. Crown Ltd.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of B.S.D. Crown Ltd (the "Company") and its subsidiaries (the: "Group"), which comprise the Consolidated Statements of Financial Position as at December 31, 2015, and the Consolidated Statements of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to Consolidated Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of B.S.D. Crown Ltd. as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

Emphasis of Matter

Without qualifying our opinion, we draw attention to:

1. Note 5 of the financial statements and notes referred to in Note 5, which describe a restatement of consolidated financial statements as of and for the year ended December 31, 2014, including circumstances of the aforesaid restatement, and the proceedings resulting from the events that led to the restatement.
2. Note 29(D) of the financial statements describing an investigation of the Israeli Securities Authority against the former controlling shareholder of the Company with suspicion of theft by an agent, aggravated fraud, money laundering, fraud and breach of fiduciary duties and false registration of corporate documents.
3. Notes 29(L)(2) and 29(L)(4) of the financial statements describing an investigation of the Israeli Securities Authority against the former Company's controlling shareholder with regards to the investment made by Company's subsidiary in foreign bonds and which according to the suspicion, served as a sort of collateral for a loan made for the needs of the former Company's controlling shareholder.
4. Note 29(C) of the financial statements describing a motion to certify a derivative action which was filed in July 2016 against the Company's directors, officers and auditors.
5. Note 29(L)(2) of the financial statements describing a motion to certify a derivative action which was filed in February 2016 against the Company's subsidiary's directors and officers.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A member firm of Deloitte Touche Tohmatsu Limited

Haifa, Israel

30 November, 2017

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B.S.D CROWN LTD.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As of		As of 1
		2015	2014	January
		Restated(*)		Restated(*)
U.S. dollars in thousands				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	8	22,942	25,314	2,957
Short-term deposits	9	5,448	5,293	201
Short-term deposits held in trust		-	-	140,418
Financial assets at fair value through profit or loss	10	37,130	42,724	-
Investment in a fund designated at fair value through profit or loss	10	2,571	3,582	-
Available for sale financial assets		-	-	206
Trade receivables	11	20,866	22,301	30
Other receivables and prepaid expenses	12	4,029	2,393	304
Inventories	13	8,856	12,502	-
Total current assets		101,842	114,109	144,116
NON-CURRENT ASSETS:				
Property, plant and equipment, net	14	13,333	13,923	67
Intangible assets:	6			
Customer relationships		4,657	5,415	-
Supplier relationships		2,267	3,016	-
Brands		1,192	1,448	-
Non-competition agreements		1,195	1,222	-
Goodwill	7	-	22,556	-
Total non-current assets		22,644	47,580	67
Total assets		124,486	161,689	144,183

(*) See Note 5.

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

B.S.D CROWN LTD.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As of		As of
		2015	2014	1 January 2014
		Restated(*)		Restated(*)
U.S. dollars in thousands				
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Credit from bank and others		4	-	18,813
Current maturities of debentures	16	-	3,472	-
Trade payables	17	3,626	4,191	699
Other accounts payable and deferred revenues	18	4,552	3,895	1,708
Employee benefit liabilities, net	19	721	789	282
Financial liability for non – controlling interest put option	6	-	7,217	-
Total current liabilities		8,903	19,564	21,502
NON-CURRENT LIABILITIES:				
Employee benefit liabilities, net	19	219	199	40
Liability for non- competition payments	6	-	1,425	-
Deferred taxes	25	1,935	3,242	-
		2,154	4,866	40
EQUITY:				
Share capital	23	416	416	416
Share premium		469,935	469,935	469,925
Treasury shares		(76,962)	(76,962)	(76,962)
Available for sale reserve		-	-	123
Reserve from transactions with non- controlling interests		(910)	(998)	-
Foreign currency translation reserve		(9,234)	(9,936)	-
Accumulated deficit		(328,533)	(309,594)	(270,448)
Equity attributable to Company's equity holders		54,712	72,861	123,054
Non- controlling interests		58,717	64,398	(413)
Total equity and non-controlling interests		113,429	137,259	122,641
Total liabilities and equity		124,486	161,689	144,183

(*) See Note 5.

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

30 November, 2017

Date of approval of the financial statements	Joseph Williger Chairman of the board	Shlomo Wertheim Chairman of the Audit Committee	Moran Attar Financial controller
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B.S.D CROWN LTD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2015	2014
		Restated(*)	
		U.S. dollars in thousands	
		(except loss per share)	
Revenues		81,765	58,505
Cost of sales	24a	<u>(61,975)</u>	<u>(44,310)</u>
Gross profit		<u>19,790</u>	<u>14,195</u>
Research and development		1,314	1,263
Selling expenses	24b	10,527	8,001
General and administrative expenses	24c	12,976	12,889
Other loss (income)	24d	<u>19,914</u>	<u>(1,975)</u>
Total operating expenses		<u>44,731</u>	<u>20,178</u>
Operating loss		(24,941)	(5,983)
Financial income	24e	6,885	3,136
Financial expense	24e	<u>(557)</u>	<u>(35,422)</u>
Loss before taxes on income		<u>(18,613)</u>	<u>(38,269)</u>
Taxes on income	25b	<u>(160)</u>	<u>(429)</u>
Loss		<u>(18,773)</u>	<u>(38,698)</u>
<u>Other comprehensive income (loss) may be reclassified to profit or loss in subsequent periods, net of tax:</u>			
Gain from available for sale financial assets		-	25
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		643	(18,331)
<u>Other comprehensive income (loss) will not to be reclassified to profit or loss in subsequent periods, net of tax:</u>			
Re-measurement loss from defined benefit plans		<u>(36)</u>	<u>(10)</u>
Total other comprehensive income (loss), net of tax		<u>607</u>	<u>(18,464)</u>
Total comprehensive loss		<u>(18,166)</u>	<u>(57,162)</u>
Net (loss) income attributable to:			
Equity holders of the Company		(18,939)	(39,150)
Non- controlling interests		<u>166</u>	<u>452</u>
Net loss		<u>(18,733)</u>	<u>(38,698)</u>
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		(18,237)	(49,205)
Non- controlling interests		<u>71</u>	<u>(7,957)</u>
Total comprehensive loss		<u>(18,166)</u>	<u>(57,162)</u>
Net loss per share (in U.S dollars):	26	<u>(0.17)</u>	<u>(0.36)</u>

(*) See Note 5.

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

B.S.D CROWN LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital	Share premium	Treasury shares	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 2015 (Restated*)	416	469,935	(76,962)	(998)	(9,936)	(309,594)	72,861	64,398	137,259
Net (loss) income	-	-	-	-	-	(18,939)	(18,939)	166	(18,773)
Other comprehensive (loss) income:									
Remeasurement loss from defined benefit plans	-	-	-	-	-	-	-	(36)	(36)
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	702	-	702	(59)	643
Total comprehensive loss	-	-	-	-	702	(18,939)	(18,237)	71	(18,166)
Subsidiary's dividends declaration and payment to non-controlling interests	-	-	-	-	-	-	-	(3,369)	(3,369)
Transactions with non-controlling interests purchase shares of subsidiary by Company	-	-	-	2,156	-	-	2,156	(2,156)	-
Additional non-controlling interests relating to outstanding share-based payment transaction of subsidiary	-	-	-	(1,873)	-	-	(1,873)	1,873	-
Transactions with non-controlling interests - cost of share based payment in subsidiary				(36)			(36)	36	
Transactions with non-controlling interest-purchase shares of subsidiary				(159)			(159)	(2,136)	(2,295)
Balance as of 31 December 2015	416	469,935	(76,962)	(910)	(9,234)	(328,533)	54,712	58,717	113,429

(*) See Note 5

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

B.S.D CROWN LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Available for sale reserve</u>	<u>Reserve from transactions with non-controlling interest</u>	<u>Foreign currency translations reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	U.S. dollars in thousands									
Balance as of 1 January 2014	416	469,925	(76,962)	123	-	-	(254,189)	139,313	(413)	138,900
Adjustment on correction of Restatement (net of tax) (Note 5)	-	-	-	-	-	-	(16,259)	(16,259)	-	(16,259)
Balance as of 1 January 2014 (Restated*)	416	469,925	(76,962)	123	-	-	(270,448)	123,054	(413)	122,641
Non- controlling interests arising from initially consolidated company	-	-	-	-	-	-	-	-	73,516	73,516
Net (loss) income	-	-	-	-	-	-	(39,142)	(39,142)	444	(38,698)
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)	(8,395)	(18,331)
Total comprehensive loss	-	-	-	(123)	-	(9,936)	(39,146)	(49,205)	(7,957)	(57,162)
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 (Restated*)	416	469,935	(76,962)	-	(998)	(9,936)	(309,594)	72,861	64,398	137,259

(*) See Note 5.

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

B.S.D CROWN LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2015	2014
		Restated(*)
	U.S. dollars in thousands	
<u>Cash flows from operating activities:</u>		
Loss for the period	(18,773)	(38,698)
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Loss from foreign deposits impairment (Note 5)	-	32,205
Reversal of impairment loss (Note 5)	(5,282)	-
Depreciation and amortization (Note 7(C), Note 14)	2,891	1,892
Goodwill and other intangible assets impairment (Note 7)	23,479	-
(Gain) loss on disposal of fixed assets	(57)	10
(Decrease) increase employee benefit liabilities, net	20	(41)
Cost of share-based payment, net	217	1,172
Change in financial assets at fair value through profit or loss	(139)	2,589
Change in investment fund designated at fair value through profit or loss	(313)	319
Interest income recognized from bank deposits	(200)	(63)
Interest expense on short term loan	3	7
Decrease in deferred tax	(1,308)	(706)
Current tax expenses	1,468	1,135
Exchange rate differences on deposit and short term loan	(45)	(1,800)
Gain from sale of available for sale financial assets	-	(214)
Financial income from debentures	(124)	(48)
Finance expenses on financial liabilities	73	155
	20,683	36,612
Changes in asset and liability items:		
Decrease in inventories	3,650	1,552
Decrease in trade receivables	1,442	5,241
Increase in receivables and prepaid expenses	(1,532)	(587)
Increase (decrease) in trade payables, other accounts payable and deferred revenues	282	(955)
Decrease in liability for non – competition payments	(1,429)	-
	2,413	5,251
Cash paid during the period:		
Interest paid	(108)	(275)
Income taxes paid	(1,583)	(1,706)
	(1,691)	(1,981)
Net cash provided by operating activities	2,632	1,184

(*) See Note 5

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

B.S.D CROWN LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December
2015 **2014**
Restated(*)
U.S. dollars in thousands

Cash flows from investing activities:

Proceeds from sale of property and equipment	117	65
Purchase of property and equipment	(773)	(1,820)
Investment in deposits held in trust	(3,454)	-
Maturity of short-term deposits, net	43	122,604
Recover (investment in) foreign bank deposit (Note 5)	5,282	(37,496)
Proceeds from sale of financial assets at fair value through profit or loss	5,583	7,134
Proceeds from sale of investment in funds designated at fair value through profit or loss	1,321	-
Acquisition of subsidiary (Note 6)	-	(62,088)
Proceeds from available for sale financial assets	-	304
Net cash provided by investing activities from continuing operations	8,119	28,703

Cash flows from financing activities:

Repurchase of shares from non – controlling interest by subsidiary	(2,295)	(1,746)
Repurchase of shares from non – controlling interest of subsidiary by Company	(1,446)	-
Dividend paid by subsidiary	(3,369)	-
Payment to exercise non – controlling interest Put option	(6,052)	-
Bank overdraft, net	-	(820)
Redemption of debentures	-	(3,397)
Net cash used in financing activities from continuing operations	(13,162)	(5,963)
Exchange differences on balances of cash and cash equivalents	39	(1,567)
Net (decrease) increase in cash and cash equivalents	(2,372)	22,357
Cash and cash equivalents at the beginning of the year	25,314	2,957
Cash and cash equivalents at the end of the year	22,942	25,314

(b) Non-cash transactions:

Redemption of debentures by deposit held in trust	(3,362)	-
Settlement of short-term loan from deposit held in trust	-	(18,727)
Purchase of property, plant and equipment on credit	30	160

(*) See Note 5.

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

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- A. B.S.D Crown Ltd. ("BSD" or "the Company") (Formerly known as Emblaze Ltd.) is a corporation registered in Israel.

The Company's shares are registered for trading on the Official List of the London Stock Exchange on the Standard List ("LSE") under the symbol BSD. As noted in sub-section (c) below, as of the date of the approval of these financial statements, the trading of Company's shares is suspended.

The Company is engaged in managing its investments that comprise mainly an investment in a subsidiary which imports markets and distributes food products (see sub-section (b) below).

Since 5 May 2017 the Companies are controlled by Mr. Joseph Williger. For further information see Note 29 (J).

Financial position

The Company's shareholders equity has significantly eroded as result of (a) significant losses in prior years following the decline in the value of the Foreign Bank Deposits, as a result of an alleged fraud by the former controlling shareholders of the Company, as more fully described in Note 5; (b) the impairment of goodwill and intangible assets as detailed in Note 7. Additionally several lawsuits were filed against the Company and its subsidiaries as detailed in Note 21 and Note 29(K). The Company's management and directors have reviewed the performance and forecasts of the Company. The management and directors have concluded that the Company has adequate resources to continue its operations in the foreseeable future. Following a review of the Company's 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.

- B. In May 2014 the Company completed an acquisition of shares (approximately 62%) of Willi-Food Investments Ltd. ("WFI") for an aggregate cash consideration of USD 89.8 million (the "Acquisition") out of which USD 82.3 million was paid in cash. WFI and its subsidiaries are engaged in the import, marketing and distribution of food products, mainly in Israel. See Note 6 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.

Due to the extent of the trading activities of the WFI Group that were acquired in relation to the activities of the Company and its subsidiaries closely to the date of the Acquisition (the "BSD Group" or "Group"), the Acquisition was deemed a reverse takeover under the listing rules of the UK Listing Authority ("UKLA"), and therefore the trading in the Company's shares was 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.

- C. On 29 April 2016, the Company announced that it will not be able to publish its annual financial statement for the year ended 31 December 2015 (the "Annual Financial Statements") by 30 April 2016, as required by the Listing Rules and the Disclosure and

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (Cont.)

C. (Cont.)

Transparency Rules. Given the delay in publishing the Annual Financial Statements, the Company requested that trading in its shares be temporarily suspended with effect from 29 April 2016 pending the publication of the Annual Financial Statements.

- D.** Pursuant to Chapter 14 of the listing rules under section 74 of the Financial Services and Markets Act 2000 (as amended) (the "Listing Rules"), at least 25% of the Company's issued and outstanding share capital is required to be held by EEA residents who are unaffiliated with the Company and are not shareholders with personal interest of the Company. In order to comply with such requirement and in order to raise capital for the ongoing operations of the Company, on 22 August 2017, the Company has completed the sale of 19,350,000 of its Ordinary Shares, nominal value NIS0.01 per share (the "Purchased Shares"), representing (after the sale thereof) 14.96% of the Company's issued and outstanding share capital, at a purchase price of GBP 0.25 per Purchased Share, for an aggregate amount of GBP 4,837,500 (approximately USD 6.2 million). The purchasers of the Purchased Shares have confirmed to the Company that they are EEA residents and that they are unaffiliated with the Company. In the event that the suspension from trading of the Company's shares on the London Stock Exchange is not cancelled within 120 days following the consummation of such sales, the purchase price shall be reduced by GBP 0.05 per Purchased Share. The funds paid to the Company are used for its general operations.

Following the sale of the Purchased Shares, the Company's issued share capital consists of 129,340,252 Ordinary Shares with voting rights ("Voting Capital") and 11,237,902 Ordinary Shares held in treasury.

On 3 September 2017 a motion for interim injunction and Originated Motion was served to the Economic Department of the Tel-Aviv District Court against the Company and its directors with respect to the sale of the shares and with respect to the appointment of an external director. For further information see Note 29(K).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of consolidated financial statements:

The accounting policies adopted are consistent with those of the previous years, unless otherwise indicated:

1) Measurement basis:

The consolidated financial statements have been prepared on the historical cost basis, except of certain financial assets measured 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").

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. (Cont.)

2) Basis of preparation of the consolidated financial statements:

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statements of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. A statement of financial position as at 1 January 2014 is presented in these consolidated financial statements due to retrospective adjustments of previously reported financial information (restatement). See Note 5.

3) Functional currency and presentation currency:

The Group determines the functional currency of each Group entity. 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 unless there are significant fluctuations in the exchange rate. 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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. (Cont.)

4) 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 acquire. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquire based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquirer'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 acquire 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, "Financial Instruments: Recognition and Measurement". 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.

5) 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.

6) 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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. (Cont.)

7) 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, "Leases".

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.

8) 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:

	<u>%</u>	<u>Mainly %</u>
Land (*)	2	
Buildings	4	
Motor vehicles	15-20	20
Office furniture and equipment	6-15	15
Computers	20-33	33
Mechanical equipment	10	

(*) the land is lease for 50 years from the Israeli land authority.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. (Cont.)

8) Property, plant and equipment (Cont.):

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.

9) 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.

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 1 year (starting 2016, see Note 20(c)(3))

10) 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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. (Cont.)

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

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 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 recognized for goodwill cannot be reversed in subsequent periods. For impairment in WFI goodwill and other assets see Note 7.

11) 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 account the terms and conditions upon which the instruments were granted.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. (Cont.)

11) Share-based payment transactions (Cont.):

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.

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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Basis of consolidation:

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:

- derecognizes the subsidiary's assets (including goodwill) and liabilities.
- derecognizes the carrying amount of non-controlling interests.
- derecognizes the adjustments arising from translating financial statements carried to equity.
- recognizes the fair value of the consideration received.
- recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognizes 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.

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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Financial assets (Cont.):

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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Financial assets, other than those at available-for-sale financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flow of the investments have been affected.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 on gross 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.

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 recognizing interest income for the respective period.

Dividends:

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Taxes on income:

The tax results of current or deferred taxes are recognized in profit or loss, except to the extent that they refer to items which are recognized 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 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 and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

J. Earnings per share (EPS):

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit or loss attributable to Ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Provisions:

A provision in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", is recognized 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 recognized as a separate asset only when it is virtually certain that it will be received by the Company. The expense is recognized in profit or loss net of the reimbursed amount.

L. Research and development expenditures:

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

M. 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.

N. 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 recognizes 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 recognized in the financial statements:

1) Revenue recognition:

The Group recognized revenues from food product sales of NIS 313,035 thousand (USD 80,502 thousand) in 2015 (2014- USD 58,210 thousand) . As part of the sale the Group gave certain customers a right to return the product. As a result, the Group recognized 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 3,130 thousand (approximately USD 805 thousand).

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

A. (Cont.)

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.

- 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, the Group relies on the opinion of its legal counsels. These estimates are based on the best professional judgment of the legal counsels' and management, 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. See Note 21 for additional information.

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 impairment of goodwill and other assets see Note 7.

3) Impairment of intangible assets:

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the projected future cash flows from the continuing use of the cash generating unit (or group of cash-generating units) to which the intangible asset is allocated.

4) Impairment of financial assets:

At the end of each reporting period, the Company measured its financial assets and assessed for indicators of impairment. As a result of information made available to the Company with respect to the foreign bank deposits, the estimated future cash flow of the foreign bank deposits have been affected and the Company recognised an impairment losses, see Note 5 for further details.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

B. (Cont.)

5) 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.

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. 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 amortized 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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 amortization:

In May 2014, the IASB issued Amendments to IAS 16, "Property, Plant and Equipment", and IAS 38, "Intangible Assets", (the "Amendments") regarding the use of a depreciation and amortization 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 amortization 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 is evaluating the possible impact of IAS 16 and IAS 38 but is presently unable to assess its effect, if any, on the financial statements.

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".

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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

C. IFRS 15, "Revenue from Contracts with Customers" (Cont.):

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. 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 with respect to contracts not yet completed until 1 January 2018. The accumulated impact will be recognised as the correction of the accumulated deficit. The comparative financial information for the years ended 31 December 2016 and 2017 will present according to IAS 18. The Company believes the effect on the financial statements of the adoption of IFRS 15 will be immaterial.

D. IFRS 16, "Leases"

IFRS 16 introduce comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 and the related interpretations when it becomes effective.

IFRS 16 distinguished leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (all on balance sheet) except for short-term leases and leases of low value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019

The Company has not yet evaluated the possible impact of IFRS 16 on its leased assets contracts.

NOTE 5 - RESTATEMENT

The Company adjusted, by way of restatement, the comparative financial information included in its consolidated financial statements, as of December 31, 2014 and January 1, 2014 and for the year ended December 31, 2014 (whereby restatement of the profit and loss for the year 2013 is reflected in the balance of retained earnings as of 1 January 2014), in order to retroactively reflect the effects of the events described below with regards to the deposits made by the Company and its previous officers in Meil Bank and the International Bank of Azerbaijan and deposits made in a trust account "Alko R Capta" (together: " Foreign Banks Deposits")

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - RESTATEMENT (Cont.)

A. Background:

1) Deposits held in Meinl Bank:

Between September 2013 and March 2014, the Company deposited a total amount of USD 31.2 million ("Meinl Deposits") in its account at Meinl Bank Aktiengesellschaft ("Meinl"). During May 2015 the Company has withdrawn the total amount of USD 2.8 million from these deposits.

On May 2016, documents purporting to relate to Meinl Deposits were received from Meinl, indicating that since the date when Meinl Deposits were placed, they have been allegedly used as collateral for loans taken by an off-shore company unknown to BSD, Terminus Ventures Limited ("Terminus").

On 16 June 2017 the Company has received a notification from Meinl claiming that certain events of default have occurred under the pledge agreement allegedly signed between the Company and Meinl and therefore, under the terms of such pledge agreement, the collateral posted in a pledged account for the purpose of settling certain obligations of Terminus under a loan agreement between Terminus and the Company has now become due and payable pursuant to such loan agreement. Consequently, Meinl reserved its rights against the Company, secured by a pledge over Meinl Deposit of USD 30 million. In addition, Meinl has requested from the Company to increase the pledged deposit for an additional amount of EUR 1.1 million (approximately USD 1.24 million) related to alleged unpaid margins.

On June 21, 2017, Meinl seized Meinl Deposit.

The Company denies any and all claims of Meinl. The Company has never agreed to use Meinl Deposit as collateral or as a guarantee in favor of any third party. Furthermore, the Company possesses certain documents that indicate that the Meinl Deposit is held in Meinl on behalf of the Company, free and clear of any encumbrance.

The Company refutes that it has ever authorised the use of the Company's Meinl Deposit as security for the loan to Terminus, which would constitute an interested party transaction in accordance with, and therefore subject to specific approvals required under, the Israeli Companies Law.

The Company will continue to seek the return of Meinl Deposit and has instructed its legal advisors to act, on its behalf, in order to explore and pursue all courses of action and rights regarding the Deposit.

2) Deposits held in International Bank of Azerbaijan:

Between September 2013 and May 2014, the Company deposited a total amount of USD 15 million ("IBAR Deposits") in its account at the International Bank of Azerbaijan ("IBAR"). Over the years 2015-2016 the Company has withdrawn the total amount of USD 2.9 million from IBAR Deposits.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - RESTATEMENT (Cont.)

A. Background (Cont.):

2) Deposits held in International Bank of Azerbaijan (Cont.):

On July 2016, in response to the Company' request to repatriate IBAR Deposits, IBAR had proposed to transfer such monies held in the deposit to the Company, including all interest accrued on such monies, in 12 monthly installments until May 2017, the first of which, is in the amount of USD 500,000. Having taken into account a number of considerations, the Company was minded to accept IBAR's proposal. However, on 20 July 2016 and 16 August 2016, IBAR had transferred two payments of USD 250,000 each to the Company and didn't follow further installments as agreed.

On August 2016, following demands made by the Company to IBAR, documents purporting to relate to IBAR Deposit have been received from IBAR, indicating that since 2013, IBAR Deposit has been allegedly used as collateral for loans taken by Israel 18 B.V. ("Israel 18"), the controlling shareholder of BGI Investments (1961) Ltd ("BGI"), and the controlling shareholder of the Company at the date IBAR Deposits were placed. Until 5 May 2017 BGI was the controlling shareholder of the Company (see Note 29(J)) ,

On September 2016, the Company has received a notification from IBAR claimed that Israel 18 B.V. is in default of its loan agreement with IBAR and consequently IBAR has reserved its rights against the Company under the purported pledge agreement over the Company's USD13.1 million deposited with IBAR (including accrued interest).

The Company refutes that it has ever authorised the use of the Company's Deposit as security for the loan to Israel 18 B.V., which would constitute an interested party transaction in accordance with the Israeli Companies Law.

The Company will continue to seek the return of IBAR Deposit and has instructed its legal advisors to act, on its behalf, in order to explore and pursue all courses of action and rights regarding the IBAR Deposit

3) Deposits held in Alko trust account:

On 27 August 2014 and 2 October 2014, the Company transferred the amount of USD 703 thousands and USD 1,500 thousands respectively to ALKO R Capta LLP Trust account ("Trustee").

The funds were transferred to the an alleged Trustee as an advance payment allegedly for the purpose of conducting due diligence in relation to the proposed purchase by the Company of certain car dealerships in the United States of America following the Company signing a non-binding letter of intent with BP Auto Group LLC and Advantage Nissan LLC. The transaction was never consummated. Consequently the Company demanded the return of Alko Deposits with no success. The Company have no more access to Alko Deposits.

The Company will continue to seek the return of Alko Deposit and has instructed its legal advisors to act, on its behalf, in order to explore and pursue all courses of action and rights regarding the Alko Deposit.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - RESTATEMENT (Cont.)

B. Description of Impairment and Subsequent Recovery of Foreign Bank Deposits

As a result of the events detailed above, and based on the assessment of the information available at this date, which was made by the Company with the assistance of its legal advisers and its accounting adviser ("Legal Opinion" and "Accounting Opinion" respectively), the Company has restated the balance of these deposits by recording an impairment of the Foreign Banks Deposits.

The Company's position following the conclusions of the Legal and Accounting Opinions is that there was a material error in the Company's financial statements as of December 31, 2014 with respect with the Foreign Banks Deposits, and that the Company should recognize the amounts which were recovered and returned to the Company as a gain in the profit or loss statement.

Consequently, the Company recorded an impairment of the entire balance of Foreign Banks Deposits (amount of USD 48 million), at the date when these deposits were made. In 2015 the Company recognised a reversal of part of the aforesaid provision in the amounts which were recovered and returned to the Company (amount of USD 5.2 million), as a gain in the statement of profit or loss. The Company also derecognized interest income that had been previously recognized regarding the Foreign Banks Deposits. In 2016, the amounts which were recovered and returned to the Company amounted USD 0.5 million.

Due to the fact that the error affects the opening balances of 2014, the effect of the error correction on the balances as of January 1, 2014 was also presented.

The Company has examined the tax implications with respect to the foregoing events, and based on the opinion of the management, directors and its tax experts, no tax liability was created with the tax authorities

For further information with respect to the Israel Securities Authority investigation and the Tel Aviv District Attorney's Office (Taxation and Economics) position see Note 29(D)

C. The effect of the restatement of the balances and transactions previously reported:

31 December 2014

Financial Statements Line Items	As previously reported 31 December 2014	Restatement	As restated 31 December 2014
	U.S dollars in thousands		
Cash and cash equivalents	25,325	(11)	25,314
Short-term deposits	54,196	(48,903)	5,293
Other receivables and prepaid expenses	3,484	(1,091)	2,393
Other accounts payable and deferred revenues	4,006	(111)	3,895
Accumulated deficit (*)	(259,700)	(49,894)	(309,594)
Total equity	187,153	(49,894)	137,259

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5 - RESTATEMENT (Cont.)****C. The effect of the restatement of the balances and transactions previously reported (Cont.):****31 December 2014**

Financial Statements Line Items	As previously reported for the year ended 31 December 2014		As restated for the year ended 31 December 2014
	2014	Restatement	2014
U.S dollars in thousands			
General and administrative expenses	(13,000)	111	(12,889)
Financial expenses	(3,220)	(32,202)	(35,422)
Financial income	4,680	(1,544)	3,136
Total loss	(5,063)	(33,635)	(38,698)
Net loss attributable to Equity holders of the Company	(5,515)	(33,635)	(39,150)
Total comprehensive loss attributable to Equity holders of the Company	(15,570)	(33,635)	(49,205)
Net loss per share	(0.05)	(0.31)	(0.36)
Cash flows from operating activities	1,839	(655)	1,184
Cash flows from investing activities	28,045	658	28,703
Exchange differences on balance of cash and cash equivalents	(1,553)	(14)	(1,567)
Net increase in cash and cash equivalents	22,368	(11)	22,357

(*) as published in the Consolidated financial statements for the year ended 31 December 2014 before the 1 January 2014 restatement as described below:

1 January 2014

Financial Statements Line Items	As previously reported 1 January 2014		As restated 1 January 2014
	1 January 2014	Restatement	2014
U.S dollars in thousands			
Short-term deposits	16,242	(16,041)	201
Other receivables and prepaid expenses	522	(218)	304
Accumulated deficit	(254,189)	(16,259)	(270,448)
Total equity	138,900	(16,259)	122,641

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ACQUISITION OF SUBSIDIARIES

Share purchase agreement

- A. 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") shares 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 62% 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 was 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.

- B. 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 was 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 WFINT Put Option exercise price was 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 could be cancelled by the Sellers at any time during that period, although such cancellation could 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 on 2014 a liability for the WFINT Put Option.

The WFI Agreement was 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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ACQUISITION OF SUBSIDIARIES (Cont.)

Share purchase agreement

B. (Cont.)

During fiscal 2015 the Company exercised all WFINT put options as follows:

- 1) On 4 March, 2015, ZW and JW, exercised employee options over 66,667 shares each of WFINT (the "Williger Shares"). In consideration for the Williger Shares, each of ZW and JW paid the amount of USD 433 thousand to WFI, reflecting an exercise price of USD 6.5 per each of the Williger Shares.

Following ZW's and JW's exercise of the abovementioned Williger Shares, on 24 March 2015, the Company paid an amount of USD 800 thousand to each of ZW and JW and acquired 66,667 shares of WFINT from each of ZW and JW, reflecting an exercise price of USD 12 per share of WFINT.

- 2) Following a further exercise by ZW of part of his WFINT Put Options in respect of 166,666 shares of WFINT, on 7 May, 2015, the Company paid an aggregate total amount of USD 2 million and acquired an aggregate of 166,666 shares of WFINT.
- 3) On 26 May and 30 June, 2015 the Company has paid the aggregate amount of USD 1 million and USD 3 million respectively to ZW in consideration for the WFINT Put Option in relation to 337,741 shares in WFINT.
- 4) On December 2015 ZW and JW each exercised another 66,667 shares each of WFINT and paid the amount of USD 433 thousand to WFI. On 31 December 2015, the Company acquired 133,334 shares in WFINT from ZW and JW for a consideration of USD 1.6 million. Following completion of the last acquisition of the Williger Shares, the Company now holds 5.82% of the issued shares of WFINT directly and a further 44.11% of the issued shares of WFINT indirectly through WFI.

As of 31 December 2015 the Company has no liability respect to the WFINT Put Option Shares.

- C. Under the WFI Agreement, the Sellers were 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, 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 were intended to continue their respective engagement following such period.

In addition, each of the Sellers was 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 were 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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ACQUISITION OF SUBSIDIARIES (Cont.)

C. (Cont.)

On 12 November 2015 WFINT and the Sellers entered into a Termination Agreement. As part of the Termination Agreement the Company and the Sellers signed a waiver that confirm that the Company will not need to the non-compete payment and the non-compete period will be 12 months from the date which is 180 days after the execution of the Termination Agreement. For more details see Note 20(C)(3)

D. Acquisition of subsidiaries:

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

1) Consideration for Acquisition

	U.S. dollars in thousands
Cash paid	82,342
Liability for non-controlling interest put option (i)	5,945
Liability for non-competition payments (ii)	1,555
	<u>89,842</u>

- i. As described above, the Company has granted Sellers a Put Option to sell up to 504,407 shares of WFINT. The put option was 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 was reflected at the present value as of the acquisition day 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%.
- ii. The liability for non-competition payment was reflected at the present value as of the acquisition day 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. Due to the Termination Agreement the non-competition payment was reduced to a period of 12 months from the date which is 180 days after the execution of the Termination Agreement. See Note 20(c)(3)

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	<u>(62,088)</u>

Subsequently costs related to the Acquisition of approximately USD 170 thousand were recorded in profit or loss for the year 2014.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ACQUISITION OF SUBSIDIARIES (Cont.)

D. Acquisition of subsidiaries (Cont.):

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

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

- (*) For more details regarding the impairment in WFI Goodwill and other assets see Note 7

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ACQUISITION OF SUBSIDIARIES (Cont.)

D. Acquisition of subsidiaries (Cont.):

2) (Cont.)

The fair value of the identifiable assets and liabilities of WFI as of 4 May 2014:

	<u>U.S. dollars in thousands</u>
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
	<u>159,301</u>
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
	<u>21,310</u>
	<u>137,991</u>

(*) 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 were 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. As for details regarding changes in the non-compete period, as part of the Termination Agreement, see Note 6(C) above.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ACQUISITION OF SUBSIDIARIES (Cont.)

D. Acquisition of subsidiaries (Cont.):

3) Fair value adjustment on acquisition:

The intangible assets are amortised over their estimated useful life (see Note 2(A)(9)).

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

(*) Goodwill is not deductible for tax purposes

4) Intangible assets:

	<u>Remaining useful life as of 31 December 2015</u>
Customer relationship	7.33
Supplier relationship	3.33
Brands	5.33
Non- competition agreements (*)	-

(*) For further information with respect to the amortization in the Non- Competition agreement see Note 6(D)(1)(ii).

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 6 - ACQUISITION OF SUBSIDIARIES (Cont.)****D. Acquisition of subsidiaries (Cont.):****4) Intangible assets (Cont.):**

	<u>Customer relationship</u>	<u>Supplier relationship</u>	<u>Brands</u>	<u>Non-competition agreements</u>	<u>Total</u>
	<u>U.S dollar in thousands</u>				
Cost:					
Balance at 1 January 2015	5,848	3,480	1,601	1,222	12,151
Adjustment arising from translating financial statements of foreign operations	(19)	(12)	(6)	(4)	(41)
Balance at 31 December 2015	<u>5,829</u>	<u>3,468</u>	<u>1,595</u>	<u>1,218</u>	<u>12,110</u>
Balance at 1 January 2014	-	-	-	-	-
Acquisition of subsidiaries	6,577	3,914	1,800	1,375	13,666
Adjustment arising from translating financial statements of foreign operations	(729)	(434)	(199)	(153)	(1,515)
Balance at 31 December 2014	<u>5,848</u>	<u>3,480</u>	<u>1,601</u>	<u>1,222</u>	<u>12,151</u>
Accumulated amortization and impairment:					
Balance at 1 January 2015	433	464	153	-	1,050
Amortization expense	644	691	226	-	1,561
Impairment losses recognised in profit or loss	101	53	27	24	205
Adjustment arising from translating financial statements of foreign operations	(6)	(7)	(3)	(1)	(17)
Balance at 31 December 2015	<u>1,172</u>	<u>1,201</u>	<u>403</u>	<u>23</u>	<u>2,799</u>
Balance at 1 January 2014	-	-	-	-	-
Amortization expense	467	500	164	-	1,131
Adjustment arising from translating financial statements of foreign operations	(34)	(36)	(11)	-	(81)
Balance at 31 December 2014	<u>433</u>	<u>464</u>	<u>153</u>	<u>-</u>	<u>1,050</u>
Depreciated cost:					
At December 31, 2015	<u>4,657</u>	<u>2,267</u>	<u>1,192</u>	<u>1,195</u>	<u>9,311</u>
At December 31, 2014	<u>5,415</u>	<u>3,016</u>	<u>1,448</u>	<u>1,222</u>	<u>11,101</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - IMPAIRMENT IN WFI GOODWILL AND OTHER ASSETS

On 30 June 2015, as a result of the triggering events described in subsection (1) and Note (2) below, the Company examined the recoverable amount of food import marketing and distribution activity ("Food activity") of WFI through its subsidiaries. The recoverable value as of 30 June 2015 was estimated at approximately NIS 191.3 million (approximately USD 50.8 million) compare to book value as of 30 June 2015 of NIS 280.8 million (approximately USD 74.5 million). As a result, the Company recorded a loss from impairment of value of Food activity in the amount of NIS 89.5 million (approximately USD 23.8 million) which was included in the Profit or Loss statement as Other (income) loss and allocated to the shareholders of the Company and the non-controlling interests in accordance with their respective holdings.

With regard to the other assets in the Food activity cash generating unit, the Company examined as of 31 December 2015 the events and indicators as well as the performance of the Food Activity in comparison with forecasts and it was determined no such indicators exist and therefore the Company did not perform an evaluation of the recoverable amount of the Food activity.

The loss from impairment, as of 30 June 2015, was attributed, based on the economic valuation performed by an independent appraiser, mainly due to the following reasons:

- 1) WFI results fell short of its forecasts due to, among other, deteriorating effects that occurred and grew stronger during the reporting period in the Israeli food industry, as detailed below and are not deemed as one-time events. In addition the Company came to conclusion that the differences between the results and the forecasts are not only a matter of timing differences, as a result of which WFI updated its forecasts.
- 2) Structural and other changes in the Israeli food industry, including (1) debt restructuring settlement of Mega and court ordered Stay of proceedings by Eden, all as detailed in Note 11(2); (2) deteriorating trade terms between the food suppliers and the Israeli food retailers emphasised by the conflict between Shufersal (the largest Israeli food retailer) and Unilever (one of the leading food suppliers in Israel); (3) development of private label by the Israeli food retailers such as Shufersal, Rami Levi Hasikma, the largest discount chain in Israel and other; (4) growing pressure applied by the Israeli food retailers to increase the discount rates provided by the food suppliers, including WFI.

Cash Generating unit	Carrying amount of cash generating unit (*)	Goodwill allocated to the unit	Recognised value impairment	Recoverable value of the unit	The method for measuring recoverable value
U.S. dollars in thousands					
Food import, marketing and distribution activity	<u>74,507</u>	<u>23,274</u>	<u>(23,751)</u>	<u>50,756</u>	Discounted Cash Flow (D.C.F)

(*) As of 30 June 2015

Main assumptions used in measuring the recoverable amount

- A. The recoverable amount was measured by using the D.C.F method, under which 5 year and beyond forecasted cash flows were discounted by applying a discount rate of 10.5%. Cash flows for periods beyond 5 years were calculated by applying a permanent growth in the incomes factor of 2% per annum, which is slightly above population growth but much lower than the actual CAGR of WFI.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - IMPAIRMENT IN WFI GOODWILL AND OTHER ASSETS (Cont.)

- B.** Revenue growth for the years 2017-2020 was based on real historical CAGRs (CPI adjusted). The WFI CAGR used was 3.2%. In 2016, a milder growth was assumed in the rate of 2.6% due to food industry consolidation effects (see Note 7(2)).
- C.** Gross profit margin – the significant investment of approximately NIS 8 million (USD 2 million) in the new logistic center made by WFI and its subsidiaries during the years 2014 -2015 was assumed to help offset the decline in gross margins due to reducing the outsourced logistics costs. Gross margin was assumed to stabilize, after 5 years, at 23.4%.
- D.** The allocation of the loss from impairment of recoverable value by asset types of the cash generating unit is as follows:

	Impairment during the year 2015
	U.S dollar in thousands
<u>Intangible assets</u>	
Goodwill	23,274
Customer relationships	101
Supplier relationships	53
Brands	27
Non-competition agreements	24
Total impairment for intangible assets	<u>23,479</u>
Property plant and equipment, net	272
Total impairment	<u><u>23,751</u></u>

NOTE 8 - CASH AND CASH EQUIVALENTS

	31 December	
	2015	2014
		Restated (*)
	U.S. dollars in thousands	
Cash	7,480	9,063
Cash equivalents – deposits	15,462	16,251
Cash and cash equivalents	<u>22,942</u>	<u>25,314</u>

NOTE 9 - SHORT-TERM DEPOSITS

	31 December		1 January
	2015	2014	2014
		Restated*	Restated*
	U.S. dollars in thousands		
Short term deposits:			
Denominated in US dollars (1)	5,325	5,126	201
Denominated in NIS (2)	123	167	-
	<u>5,448</u>	<u>5,293</u>	<u>201</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - SHORT-TERM DEPOSITS (Cont.)

- (1) 2015, 2014- Includes the amount of USD 5,199 and USD 5,000 thousands respectively of WFI deposits in the International Bank of Azerbaijan ("IBAR") that was paid in January 2016. For further information with respect to Company's deposits held in the foreign banks see Note 5.
- (2) Includes deposit held as security for bank guarantee, see Note 20(A) and restricted deposit in the amount of USD 133 thousand

NOTE 10 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2015	2014
	U.S. dollars in thousands	
Non-derivative financial instruments at fair value through profit or loss:		
Shares	4,630	6,127
Government loan and other bonds	15,293	19,160
Certificate of participation in mutual funds	17,207	17,437
	<u>37,130</u>	<u>42,724</u>
Investment in a fund designated at fair value through profit or loss	<u>2,571</u>	<u>3,582</u>

For further information regarding the valuation of financial instruments see Note 22

NOTE 11 - TRADE RECEIVABLES

	December 31,	
	2015	2014
	U.S. dollars in thousands	
Open accounts net(1)	16,008	16,347
Credit card companies	8	39
Checks receivable	5,733	5,926
	<u>21,749</u>	<u>22,312</u>
Allowance for doubtful accounts in the amount of (2)	<u>(883)</u>	<u>(11)</u>
	<u>20,866</u>	<u>22,301</u>

- (1) Net from provision for returns of approximately USD 384 thousand (2014- USD 386 thousand)
- (2) Allowance as of 31 December 2015 includes a reserve of NIS 2.9 million (USD 0.74 million) reflecting the WFINT's estimate of the expected losses due to the stay of proceedings of Mega Retail Ltd. and its subsidiary, Eden Briut Teva Market Ltd. ("Eden"), and as follow:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - TRADE RECEIVABLES (Cont.)

On June 29, 2015, Mega Retail Ltd. ("Mega"), which was one of WFINT's largest customers in the organized retail market, submitted a motion to approve a creditor arrangement with its suppliers. On July 14, 2015, the District Court in Lod (Center District) approved a recovery arrangement.

The recovery arrangement regulated, inter alia, the manner of repayment of Mega's debts to WFINT with respect to the period up until June 30, 2015 where Mega's debt to WFINT as of that same date was approximately NIS 4.9 million (approximately USD 1.4 million), and was not secured.

According to the provisions of the recovery arrangement, payment of 70% of the amount of Mega's debt to WFINT would be made commencing on the date of the execution of the recovery arrangement, in weekly payments that would be spread over the course of 3 months. Payment of the balance of Mega's debt to WFINT that had accrued until June 30, 2015 (approximately NIS 1.5 million (USD 429 thousands)) would be deferred for two years (hereinafter – the "Deferred Debt") and would be paid in 36 equal monthly payments starting from July 15, 2017. In June 2015, 70% of the amount of the balance of Mega's debt to WFINT (approximately NIS 3.4 million (USD 973 thousands)) was paid.

Additionally, it was stipulated in the recovery arrangement that within 4 months from the date of the approval of the recovery arrangement, Alon Blue Square Israel Ltd. ("Blue Square"), which is the controlling shareholder in Mega, would issue rights and within 7 days thereafter, WFINT would be given the option to convert the deferred debt, in whole or in part, into shares of Blue Square in consideration of an exercise price stipulated in the arrangement and in accordance with the terms stipulated in the arrangement.

After Mega met undertakings to repay the arranged debt, and prior to the execution of the rights issue by Blue Square, on January 17, 2016, Mega again applied to the Court with a petition to grant in order to stay proceedings, and on January 18, 2016, the Courts issued in order to stay proceedings regarding Mega. As of the date of the issuing of the order to stay proceedings, Mega's debt to WFINT, including the deferred debt, amounts to the sum of approximately NIS 3.9 million (USD 986 thousands).

As of the date of the issuing of the order to stay proceedings regarding Mega, WFINT continued to provide Mega with merchandise and products, in accordance with the weekly budget stipulated by the trustees appointed for Mega (the "Trustees") and submitted to WFINT. The payment with respect to merchandise supplied was paid in cash at the end of each week.

On May 10, 2016, the Trustees submitted a motion to the court to approve an agreement for the sale of the Mega chain to Yenot Bitan in consideration of an amount ranging, according to estimates, between NIS 400 and NIS 450 million. On May 16, 2016, the court granted the Trustees' motion, but conditioned the sale agreement on approval by a meeting of Mega 's creditors as well as approval by the Antitrust Commissioner.

On May 26, 2016, a creditors meeting took place in which the proposed agreement for the sale of Mega to Yenot Bitan, as submitted by the Trustees for Mega, was deliberated. In the framework of the agreement that was approved by the creditors meeting, the provisions of the first arrangement that was entered into regarding Mega were voided, and new terms were established for distribution of receipts between the creditors. According to the provisions of the new agreement, the payments to ordinary creditors would be made semiannually (subject to during each distribution, the Trustees would maintain at least NIS 60 million in their possession), and these payments would only be made after payment in full of Mega's debts to its priority creditors. On June 15, 2016, the court approved the creditor arrangement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - TRADE RECEIVABLES (Cont.)

On June 23, 2016, the Antitrust Commissioner approved the agreement to sell Mega to Yenot Bitan, subject to the terms stipulated in said approval. According to the provisions of the agreement, the Mega chain becomes the property of the Yenot Bitan as of July 1, 2016, and operates under it as of this date.

In the framework of the various proceedings, the Trustees applied to the court to order Alon Blue Square, to transfer monies and payments to the Trustees, including transfer of payments to Mega for Mega's undertakings with respect to the first arrangement. On August 3, 2016, the Trustees filed a motion with the court for a settlement with Blue Square, according to which Blue Square undertook to pay an amount ranging between NIS 350 and 400 million with respect to Mega's undertakings. On August 10, 2016, the settlement agreement between the Trustees and between Blue Square was approved. According to the Trustee's report following the settlement agreement that had been approved, the estimated amount that would be paid to the unsecured creditors increased from 40% of the approved debt to approximately 55% of the approved debt.

As of 31 December 2015 Mega's debt to WFINT was NIS 5.7 million (USD 1.46 million). On 1 January 2016 WFINT received from Mega (before stay of proceedings) an amount of NIS 1.8 million (USD 461 thousands).

On February and August 2017, a payment was received to WFINT in the sum of approximately NIS 433 thousands (USD 118 thousands) and NIS 109 thousands (USD 30 thousands), respectively from the Trustees.

Additionally, on July 15, 2015, the District Court in Lod, Israel approved an extension for a stay of proceedings filed on 9 July 2015 for, Eden. As part of the Stay of Proceedings, the court appointed a trustee for Eden who was charged with, among other things, management of Eden during the Stay of Proceedings and the negotiation and auction for the sale of Eden's assets. To the Company's best knowledge, on August 16, 2015, the Court approved the sale of significant Eden's assets to third party. WFINT's accounts receivable related to Eden, as of the date of the Stay of Proceedings, totaled approximately NIS 0.6 million (USD 0.2 million).

- (3) The average credit period on sales of goods is 86 days.
- (4) 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.
- (5) The trade receivables balance as of 31 December, 2015, NIS 13,213 thousand (approximately USD 3,386 thousand) (2014-NIS 12,576 thousand, approximately USD 3,234 thousand) are due from one major customers. The Group does not have other customers, who represent more than 10% of the total balance of trade receivables as of 31 December, 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - OTHER RECEIVABLES AND PREPAID EXPENSES

	31 December		1 January
	2015	2014	2014
		Restated(*)	Restated(*)
	U.S. dollars in thousands		
Prepaid expenses	400	648	200
Accrued receivables and interest receivables	169	316	-
Government authorities	723	501	28
Income tax receivables	537	413	-
Advances to suppliers and advisors	1,823	334	-
Receivables from related parties (1)	304	-	-
Other	73	181	76
	<u>4,029</u>	<u>2,393</u>	<u>304</u>

(1) See Note 27

NOTE 13 - INVENTORIES

	December 31,	
	2015	2014
	U.S. dollars in thousands	
Finished products	6,448	11,230
Merchandise - products in transit and prepayments	2,408	1,272
	<u>8,856</u>	<u>12,502</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - 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, 2015	15,512	2,979	408	1,376	900	111	21,286
Acquisition	307	128	21	115	232	-	803
Disposals		(154)			(17)		(171)
Adjustment arising from translating financial statements of foreign operations	(10)	(10)	(1)	(4)	(5)	-	(30)
Cost at December 31, 2015	<u>15,809</u>	<u>2,943</u>	<u>428</u>	<u>1,487</u>	<u>1,110</u>	<u>111</u>	<u>21,888</u>
Cost at January 1, 2014	-	-	31	317	-	12	360
Acquisition of subsidiaries	15,860	3,396	392	1,098	973	121	21,840
Acquisition	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	<u>15,512</u>	<u>2,979</u>	<u>408</u>	<u>1,376</u>	<u>900</u>	<u>111</u>	<u>21,286</u>
Accumulated depreciation:							
Accumulated depreciation at January 1, 2015	3,288	2,298	223	1,148	393	13	7,363
Depreciation and amortization expense (*)	770	373	11	49	127	-	1,330
Depreciation on disposals		(108)			(2)		(110)
Adjustment arising from translating financial statements of foreign operations	(13)	(9)	(1)	(3)	(2)	-	(28)
Accumulated depreciation and amortization at December 31, 2015	<u>4,045</u>	<u>2,554</u>	<u>233</u>	<u>1,194</u>	<u>516</u>	<u>13</u>	<u>8,555</u>
Accumulated depreciation at January 1, 2014	-	-	17	273	-	3	293
Acquisition of subsidiaries	3,321	2,504	229	936	358	12	7,360
Depreciation	336	289	5	47	82	3	762
Depreciation 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 and amortization at December 31, 2014	<u>3,288</u>	<u>2,298</u>	<u>223</u>	<u>1,148</u>	<u>393</u>	<u>13</u>	<u>7,363</u>
Depreciated cost:							
At December 31, 2015	<u>11,764</u>	<u>389</u>	<u>195</u>	<u>293</u>	<u>594</u>	<u>98</u>	<u>13,333</u>
At December 31, 2014	<u>12,224</u>	<u>681</u>	<u>185</u>	<u>228</u>	<u>507</u>	<u>98</u>	<u>13,923</u>

(*) Depreciation and amortization expense includes impairments, see Note 6(D)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

- A. The Company owns 61.65% 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 allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December,		Year ended 31 December,		31 December,	
		2015	2014	2015	2014	2015	2014(*)
U.S. dollars in thousands							
WFI	Israel	38.35%	38.35%	714	530	39,143	39,564

B. Summarised financial information respect to WFI:

	December 31,	
	2015	2014(*)
U.S. dollars in thousands		
Current assets	97,833	110,739
Non-current assets	12,750	12,298
Current liabilities	5,074	9,960
Non-current liabilities	174	163
Equity attributable to owners of the Company	66,192	73,350
Non-controlling interests	39,143	39,564

(*) The corresponding figures as of 31 December 2014 are presented consistently with the corresponding figures of 31 December 2015.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Cont.)

B. Summarised financial information respect to WFI (Cont.):

	December 31,	
	2015	2014 (*)
	U.S. dollars in thousands	
Revenue	80,536	92,067
Profit for the year	1,935	5,289
Dividend declaration and payment to non-controlling interest	3,369	-
Net cash inflow from operating activities	3,796	6,137
Net cash inflow from investing activities	2,985	11,673
Net cash outflow from financing activities	(9,163)	(5,581)
Net cash (outflow) inflow	(2,382)	12,229

(*) The corresponding figures as of 31 December 2014 are presented consistently with the corresponding figures of 31 December 2015.

NOTE 16 - CURRENT MATURITIES OF DEBENTURES

- A.** On 3 January 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) were redeemable (principal) in five (5) equal annual payments payable on December 1 of each of the years 2011 to 2015 (inclusive). Debentures (series D) bore 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). On 10 June 2015 a correction to the Shelf Prospectus was signed and a deposit in the amount of NIS 13.2 thousands (USD 3.4 million) was placed in trust account which all its rights were pledged to series D trustee.
- B.** On 1 December 2015, WFI repaid the full balance of the debentures (series D) in the amount of NIS 13,020 thousand (approximately USD 3,336 thousand) par value of debentures (series D). Also, interest of NIS 101 thousand (approximately USD 26 thousand) (2014-NIS 656 thousand, approximately USD 180 thousand) was paid on the series (including the WFI Group's share).
- C.** To the day of the report WFI have no limitation with respect to dividend distribution.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - TRADE PAYABLES

	December 31,	
	2015	2014
	U.S. dollars in thousands	
Open accounts	3,102	3,630
Checks payable	524	561
	<u>3,626</u>	<u>4,191</u>

The average credit period on purchases of goods is 24 days. The Group manages a program according to which all payables are paid within the pre-agreed credit term.

NOTE 18 - OTHER ACCOUNTS PAYABLE AND DEFERRED REVENUES

	December 31,	
	2015	2014
		Restated(*)
	U.S. dollars in thousands	
Deferred revenues	166	392
Accrued expenses	2,076	1,715
Related parties (*)	1,600	800
Interest payable	-	9
Government authorities	328	340
Customer advances	196	342
Other	186	297
	<u>4,552</u>	<u>3,895</u>

(*) Mainly of WFINT Put Option See Note 6(B).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - EMPLOYEE BENEFITS LIABILITIES

A. Composition:

	December 31,	
	2015	2014
	U.S. dollars in thousands	
Post-employment benefits under defined benefit plans: (See Note c below)		
Accrued severance pay and retirement compensation	219	199
Short-term employee benefits: (See Note b below)		
Salary, related expenses and social contributions	466	484
Short-term absence compensation and recreation	255	305
	<u>721</u>	<u>789</u>
Employee benefit liabilities:		
Current	721	789
Non-current	219	199
	<u>940</u>	<u>988</u>

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, 2015 is USD 255 thousand (2014 - USD 269 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - EMPLOYEE BENEFITS LIABILITIES (Cont.)

C. Post -employment benefits:

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

	<u>Expenses recognised in profit or loss</u>					<u>Gain (loss) from Remeasurment in other comprehensive income</u>					
	<u>Balance at 1 January 2015</u>	<u>Current service cost</u>	<u>Net interest expenses</u>	<u>Effect of changes in foreign exchange rates</u>	<u>Total expenses recognised in profit or loss for the period</u>	<u>Payments from the plan</u>	<u>Actuarial gain (loss) arising from changes in financial assumptions</u>	<u>Actuarial gains arising from experience adjustments</u>	<u>Total effect on other comprehensive income for the period</u>	<u>Contributions by employer</u>	<u>Balance at 31 December 2015</u>
	U.S. dollars in thousands										
Defined benefit obligation	(1,462)	(287)	(29)	8	(308)	213	(11)	(49)	(60)	-	(1,617)
Fair value of plan assets	1,263	-	5	(5)	-	(185)	11	-	11	309	1,398
Net defined benefit asset (liability)	(199)	(287)	(24)	3	(308)	28	-	(49)	(49)	309	(219)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - EMPLOYEE BENEFITS LIABILITIES (Cont.)

C. Post -employment benefits (Cont.):

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

	Balance at 1 January 2015	Transfer between companies	Acquisition of subsidiaries	Expenses recognised in profit or loss			Total expenses recognised in profit or loss for the period	Payments from the plan	Gain (loss) from Remeasurment in other comprehensive income			Contributions by employer	Balance at 31 December 2014
				Current service cost	Net interest expenses	Effect of changes in foreign exchange rates			Actuarial gain (loss) arising from changes in financial assumptions	Actuarial gains arising from experience adjustments	Total effect on other comprehensive income for the period		
	U.S. dollars in thousands												
Defined benefit obligation	(521)	(79)	(1,016)	(250)	(33)	178	(105)	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	(246)	32	(81)	71	(10)	287	(199)

(*) Including USD 45 thousand in current liabilities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - EMPLOYEE BENEFITS LIABILITIES (Cont.)

C. Post -employment benefits (Cont.):

2) According to the labor laws and the Severance Pay Law in Israel, the Group 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 Group's liability is accounted for as a post-employment benefit. The computation of the Group'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.

3) 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 recognized and for which the Group deposits amounts in qualifying insurance policies.

4) Plan assets:

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

5) Plan assets (liabilities), net:

	31 December	
	2015	2014
	U.S. dollars in thousands	
Defined benefit obligation	(1,617)	(1,462)
Fair value of plan assets	1,398	1,263
	<u>(219)</u>	<u>(199)</u>

Net liability arising from defined benefit obligation

6) The principal assumptions used in defined benefit plan:

a. Assumption related to BSD employees

	31 December	
	2015	2014
	%	
Discount rate of the plan liability	2.15	2.18
Rate of increase in the Israeli CPI	1.10	1.14
Expected rate of return on plan assets	2.56	2.59
Expected salary increases	2	2
Employee turnover rate	20	20

(*) The total net liability arising from BSD is USD 40 thousands (2014- USD 35 thousands)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - EMPLOYEE BENEFITS LIABILITIES (Cont.)

C. Post -employment benefits (Cont.):

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

b. Assumption related to WFI employees

	31 December	
	2015	2014
	%	
Discount rate of the plan liability	3.28	3.25
Expected rate of return on plan assets	3.28	1.5-3.5
Expected salary increases	4	4
Employee turnover rate	(*)	(*)

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

- 7) 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 2015, 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 36 thousand.

NOTE 20 - COMMITMENTS AND GUARANTEES

A. Guarantees:

As of 31 December 2015 the Company provided bank guarantees aggregating to USD 64 thousand as security for rent to be paid for their offices (2014- USD 110 thousands). See Note b below.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - COMMITMENTS AND GUARANTEES (Cont.)

B. Commitments:

Operating lease obligation:

Total rent expense for the years ended 31 December 2015 and 31 December 2014 amounted to USD 432 thousand and USD 356 thousand, respectively.

In February 2014, the Company rented offices under an operating lease agreement for a five year period. According to the contract, the minimum annual rent in the first year was NIS 319 thousand (USD 82 thousand).

On November 2, 2014 as part of the Management Plan described in Note 27(B)(2) the Company signed an Assignment Agreement with BGI, pursuant to which the Company took over BGI's lease for a remaining period of three years. The minimum annual rent in the first year was NIS 528 thousand (USD 136 thousand).

On August 2015 the Company was released from its previous lease agreements and signed a new lease agreement for its new offices for a period of five years. According to such lease agreement, the annual minimum rent fee for each year within the period of five years is USD 107 thousand.

C. Commitments regarding the import marketing and distribution of food products segment:

- 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) A subsidiary of the Group, had an agreement with Arla Foods amba ("Arla") according to which it was Arla's exclusive agent and distributor in Israel for certain products (the "Exclusive Distribution Agreement") until 31 December 2017. The termination terms in the Exclusive Distribution Agreement included, Arla's right to terminate the contract under certain circumstances, including in the event that WFI's subsidiary does not meet its minimum purchase threshold, or in the event that the parties do not reach agreement regarding minimal purchase amounts, by providing 3 months' notice. The parties were also entitled to terminate the contract with 30 business days prior notice in the event in which Mr. Iram Graiver, CEO of WFINT and president of WFINT, ceases to be involved in the Group's operations for any reason, or to the extent that there is a change in control of WFI's subsidiary or the Group. For further information with respect to Graiver termination employment see Note 21 (B)(3).

On October 19, 2017 WFINT announced it received a notice from Arla to end their Exclusive Distribution Agreement effective as of December 31, 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - COMMITMENTS AND GUARANTEES (Cont.)

C. Commitments regarding the import marketing and distribution of food products segment (Cont.) :

2) (Cont.)

The termination of the Exclusive Distribution Agreement with Arla may have a significant negative impact on WFI Group operating results although the WFI Group believes that it will be able to enter into agreements with alternative suppliers for a portion of the products currently purchased from Arla.

Meetings between WFI's subsidiary and Arla were held during the past weeks and the parties agreed that WFI's subsidiary will continue to purchase Arla's products for the first half of 2018. WFI's subsidiary intends to continue its discussion with Arla.

- 3)** On August 21, 2014 the general meeting of WFINT approved, after the remuneration committee and the board of directors of WFINT approves the continuance of the management services agreements (including amendments to the agreements) signed between the WFI Group and Mr. Zwi Williger as chairman of the board of directors of WFINT ("ZW") and Mr. Joseph Williger as a director and president of WFINT ("JW") through their own companies (the "Management Companies"). Management Agreements were extended for three additional years. According to such agreements, (a) each of the Management Companies was entitled to a management fees amounted to NIS 102.9 thousand (USD 29 thousands) linked to the CPI from February 2008 (b) annual grant based on the consolidated profits before tax and payment of grants by WFI Group (the "Fixed Profit") as follows: if the Fixed Profit is less than NIS 3 million (USD 848 thousands) - the grant will amount to 3% of the Fixed profit and if the Fixed Profit is commencing NIS 3 million - the grant will amount to 5% of the Fixed Profit; (c) early announcement of termination on WFINT part of 18 months (the "Management Agreements").

On 12 and 15 November, 2015 the Board of Directors of WFINT and the Board of Directors of WFI, respectively, each, approved the terms of an agreement (the "Termination Agreement") between WFINT and the Management Companies that governs the termination of the existing Management Agreements. Certain terms of the Termination Agreement were subject to the approval by way of special majority by WFINT shareholders, at which time ZW and JW are to resign as directors and from all other positions within WFI, WFINT and their subsidiaries.

Under the terms of the Termination Agreement it was determined, amongst others things:

- a. ZW and JW have entered into certain non-compete arrangements for the period of 12 months from the date which is 180 days after the execution of the Termination Agreement (being 12 November 2015) (the "early notice period");

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - COMMITMENTS AND GUARANTEES

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

3) (Cont.)

- b. Subject to the full and timely fulfillment by WFINT of all of its undertakings of the Termination Agreement, ZW and JW fully and irrevocably waive and release WFINT and its shareholders (including its controlling shareholders), subsidiaries, related companies and anyone or entity acting on their behalf from any legal claim and/or legal action and/or demand, whether known or unknown, which they may have either currently or in the future, either directly or indirectly (collectively referred to as: "Claims"), against any of ZW and JW, such waiver and release to include any Claim relating to the Company's purchase agreement of shares in WFI dated 2 March, 2014 (the "WFI Shares Purchase Agreement"), all of which are subject to certain limited exceptions enumerated in the Termination Agreement;
- c. Subject to the full and timely fulfillment by ZW and JW of all of their undertakings set forth in the Termination Agreement and any applicable law, including the provisions of the Israel Companies Law and Israel Securities Law, WFINT fully and irrevocably waives and releases ZW and JW from all Claims, which WFINT may have currently or may have in the future, either directly or by way of WFI and/or any of their subsidiaries, against either of ZW or JW, all of which are subject to exceptions limited set forth in the Termination Agreement;
- d. The Termination Agreement also provided for certain payments from WFINT that has been made to ZW and JW, including the payment of performance bonuses of NIS 2 million (approximately USD 512 thousand) and retirement bonuses of NIS 1.67 million (approximately USD 428 thousand) to each of ZW and JW which is in addition to the payment of a WFINT's management fee of NIS 1.67 million (approximately USD 428 thousand) during the year following the notice period, to each of ZW and JW.
WFI recognized the abovementioned amounts in the current year at general and administrative expenses.

On November 11, 2015, in connection with the arrangements described above, the Board of the Company approved the Company's entry into of a mutual waiver and release from all claims with ZW and JW (the "Company Waiver"). The Company Waiver was conditional upon, amongst other things: (i) the approval of the Termination Agreement in general meeting of WFINT and (ii) the payment of approximately USD 1.6 million to the extent that ZW and JW exercise the put option granted to them as part of the terms of the WFI Shares Purchase Agreement. In addition, as part of the Termination Agreement, the Company and the Sellers sing on a waiver that confirm that the Company will not need to the non-compete payment and the non-compete period will be 12 months from the date which is 180 days after the execution of the Termination Agreement.

On January 21, 2016 after the Termination Agreement was approved by the Special Meeting of Shareholders on January 13, 2016, ZW and JW resigned from the WFINT's Board of Directors and all other positions within WFI, WFINT and there subsidiaries. For further information with respect to the Put Option see Note 6(B).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - COMMITMENTS AND GUARANTEES

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

- 4) 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 and settled monthly management fees of NIS 7.1 thousands (USD 2 thousands) , for period of three years. In addition, in October 2017 the general meeting of WFINT reapproved and ratified the raise of the management fees to NIS 10 thousands (USD 2.8 thousands) for period of another three years.

- 5) 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.
- 6) The liabilities to banks of WFI and its subsidiaries as of December 31, 2015 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 16,214 thousand (approximately USD 4,155 thousand) are secured by current liens on the share capital, goodwill, all the property of WFI and the insurance rights.

NOTE 21 - CONTINGENT LIABILITIES

A. Material legal proceedings:

- 1) 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:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - CONTINGENT LIABILITIES (Cont.)

A. Material legal proceedings (Cont.):

1) (Cont.)

- 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 past external legal adviser and its past 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 amount of the June 2012 Claim was NIS 81.8 million (approximately USD 21 million).

- b. In November 2012, two creditors of Mr. Reifman have filed a claim for NIS 30 million (USD 7.7 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 past 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). In October 2014, the Company and several of its past directors were joined as direct defendants by one of the creditors who filed the attorney's claim.

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 17.9 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 7.7 million).

As of the date of the approval of these financial statements, the legal procedures evidentiary court hearings are in process. In conjunction with the hearings, and following the suggestion of the judge, the parties attended a mediation procedure, which did not lead to an agreement. In accordance with the above, the Company's management stipulates that the registration in the Company's Financial Statements and in Notes to the Financial Statements with respect to the proceeding matters above, is sufficient.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - CONTINGENT LIABILITIES (Cont.)

A. Material legal proceedings (Cont.):

1) (Cont.)

c. At the request of the Administrator for Mr. Reifman's bankruptcy (who was later appointed as the Trustee to Mr. Reifman's bankruptcy), on 6 September 2010 the Tel- Aviv District court issued an ex-parte temporary injunction, 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 ("Notification"). In February 2015, the Company received the consent of the Trustee to cancel the Notification requirement and received the Supreme Court's approval of such cancellation on the basis of the parties' approval thereof.

2) On 25 December 2015 a labor claim was filed by former Company employee, against the Company, to the Regional Labor Court in Tel-Aviv, in the amount of approximately NIS 1.6 million (USD 410 thousands) with respect to the termination of her employment. On 16 July 2017 the Company filed a counterclaim against the employee in the amount of approximately NIS 1 million (USD 256 thousands). Taking note of the preliminary stage of this case, it is not yet possible to assess the likelihood of the lawsuit's outcome.

B. Contingent liabilities regarding the import marketing and distribution of food products segments:

1) In July 2017 two claims were requested to be approved as class actions under the Class Actions Law, 2006 against WFI in the cause of 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 total amount of claims, if approved as class actions, was estimated by the plaintiff at approximately NIS 7 million (approximately USD 1.8 million). WFI and the plaintiffs have reached a settlements in which the plaintiffs will withdraw the claims and such claims will be dismissed with immaterial amounts for WFI. With respect to the claim for the amount of NIS 4 million, on 23 November 2017 the court approve the settlement of the claim and its dismissal. WFI filed the settlement with respect to the NIS 3 million claim for the courts approval, which was not yet received to date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - CONTINGENT LIABILITIES (Cont.)

B. (Cont.):

- 2) In October 2013, WFINT 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 WFINT, in which it was alleged that WFINT did not add costs to food shipments for customs purposes that it had incurred for purposes of providing kosher certification to food products (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 each year from the seven years preceding the Notice of Charge. On 2014 WFINT made a partial provision in the financial statements with respect to the Notice of Charge. In June 2014 and August 2015, a District Court denied appeals in similar cases by other food products companies. On December 2, 2015, the Supreme Court heard motions to appeal in the matter of inclusion of costs of kosher certification in the value of goods imported, for tax purposes, and denied the motions to appeal, and thus confirmed that the judgments rendered by the District Courts. In light of the aforesaid, WFI has reached agreements with the Tax Authority that its lawsuit will be withdrawn without order for costs ("Agreement"). WFINT recognized expenditures with respect to the costs of kosher certification in the sum of approximately NIS 0.6 million (USD 154 thousands) in the statement of profit or loss for the year ended 31 December 2015. Following the Agreement, in the beginning of 2016, WFI paid the required amount including interest, linkage, and VAT, in the sum of approximately NIS 0.8 million, (USD 205 thousands).

- 3) On 27 July 2017 a labor claim was filed by Mr. Iram Graiver, former CEO of WFINT and president of WFINT, against WFINT to the Regional Labor Court in Tel-Aviv in the amount of approximately NIS 2.4 million (USD 670 thousands) with respect to the termination of his employment on 5 July 2017. On 27 July 2017 WFINT filed a counterclaim against the employee, with respect to disbursement of funds without having received the requisite approvals in accordance with applicable law, in the amount of approximately NIS 1.7 million (USD 475 thousands). Taking note of the preliminary stage of this case, it is not yet possible to assess the likelihood of the lawsuit's success. In accordance with the above, the WFI's management stipulates that the registration in WFI's Financial Statements and in Notes to the Financial Statements with respect to the proceeding matters above, is sufficient. On 6 July 2017, Mr. Tim Cranko was nominated as CEO of WFI and WFINT. On 28 November 2017 Mr. Cranko resigned from his position which will take effect on 31 December 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - 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	
	2015	2014
		Restated*
	U.S. dollars in thousands	
Financial assets:		
Cash and cash equivalents	22,942	25,314
Short- term deposits	5,448	5,293
Financial assets at fair value through profit or loss	37,130	42,724
Investment in fund designated at fair value through profit or loss	2,571	3,582
Trade receivables and other receivables	22,672	24,046
	<u>90,763</u>	<u>100,959</u>
Financial liabilities:		
Financial liability for non-controlling interest put option	-	7,217
Liability for non-competition payments	-	1,425
Credit from bank and others	4	-
	<u>4</u>	<u>8,642</u>
Financial liabilities measured amortised cost:		
Debentures and interest payable on debentures	-	3,481
Employee benefit liabilities, net	940	988
Trade payable and financial liabilities	5,938	6,574
	<u>6,878</u>	<u>11,043</u>
	<u>6,882</u>	<u>19,685</u>

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 Group's financial management and approved by the board of directors and management.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - FINANCIAL INSTRUMENTS (Cont.)

C. Management of financial risks (Cont.):

The Group's finance departments provide services for the business operations, permit access to domestic and international financial markets, monitor and manage the financial risks relating to the Group's operations by means of internal reports which analyze the degree of exposure to risks according to level and magnitude. These risks include market risks (including currency risk, fair value risk with respect to interest rate, price risk, and cash flow risk with respect to interest rate), credit risk, and liquidity risk.

The Group minimizes the effects of these risks from time to time by using derivative financial instruments to hedge risk exposure, but such derivatives are not intended as hedges for accounting purposes. Use of derivative financial instruments is done according to the Group's policy which was approved by the boards of directors. The policy establishes principles regarding: management of currency risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Compliance with the policy and exposure limits are reviewed by WFI's internal auditor on a continual basis.

The Group's financial management department reports to the investment committee and the Board of WFINT on the risks and the implementation of the policy established to mitigate the exposure to risk.

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 Group'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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - FINANCIAL INSTRUMENTS (Cont.)

C. Management of financial risks (Cont.):

2) Foreign exchange risk (Cont.):

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 2015, 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:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		<u>Restated(*)</u>		<u>Restated(*)</u>
	<u>U.S. dollars in thousands</u>			
NIS	83,336	91,138	(5,053)	(12,420)
USD	13,240	18,826	(2,836)	(7,255)
Other	3,040	3,135	(1,064)	(1,121)

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - FINANCIAL INSTRUMENTS (Cont.)

C. Management of financial risks (Cont.):

2) Foreign exchange risk (Cont.):

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

	<u>NIS impact</u>		<u>USD impact</u>		<u>Other impact (**)</u>	
	<u>December 31,</u>		<u>December 31,</u>		<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Restated*</u>		<u>Restated*</u>		<u>Restated*</u>	
	<u>U.S. dollars in thousands</u>					
Profit or loss	<u>7,828</u>	<u>7,872</u>	<u>1,040</u>	<u>1,157</u>	<u>198</u>	<u>201</u>

(**) Mainly Euro and GBP

3) Interest risk:

As of 31 December 2015 WFI was exposed to interest risk because the Group companies borrowed and lend at fixed and floating interest rates. The risk was 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 (Five) 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 (Five) basis points higher/lower and all other variable held constant, the impact before tax would have been:

WFI income for the year ended December 31, 2015 would increase/decrease by USD 96 thousand. This change is mainly attributable to changes in the WFI's gain.

4) 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 39,701 thousand.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - FINANCIAL INSTRUMENTS (Cont.)

C. Management of financial risks (Cont.):

4) Other price risks (Cont.):

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, 2015 would increase/decrease by USD 3,970 thousand as a result of changes in the fair value of shares, mutual funds and bonds held for trading.

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, 2015 is USD 5,189 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, 2015 would increase by USD 518 thousand. This change is mainly attributable to changes in the WFI's gain.

5) Liquidity risk management:

a. 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.

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 22 - FINANCIAL INSTRUMENTS (Cont.)****C. Management of financial risks (Cont.):****5) Liquidity risk management (Cont.):****a. Non-derivative financial liabilities (Cont.):**

	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total
U.S. dollars in thousands					
2015					
Credit from bank	4	-	-	-	4
Trade payables and other financial liabilities	1,600	-	4,338	-	5,938
Employee benefit liabilities, net	-	-	721	219	940
	<u>1,604</u>	<u>-</u>	<u>5,059</u>	<u>219</u>	<u>6,882</u>
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 financial liabilities	-	6,574	-	-	6,574
Employee benefit liabilities, net	-	-	789	199	988
	<u>-</u>	<u>6,574</u>	<u>12,154</u>	<u>2,269</u>	<u>20,997</u>

b. 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					
2015					
Cash and cash equivalents	22,942	-	-	-	22,942
Short-term deposits	5,199	249	-	-	5,448
Financial assets carried at fair value through profit or loss	21,983	408	2,951	13,024	38,366
Investment in fund designed at fair value through profit or loss	-	1,031	1,540	-	2,571
Trade receivables and other receivable	-	22,672	-	-	22,672
	<u>50,124</u>	<u>24,859</u>	<u>3,992</u>	<u>13,024</u>	<u>91,999</u>
2014 , Restated*					
Cash and cash equivalents	25,314	-	-	-	25,314
Short term deposits	-	-	5,282	11	5,293
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	-	24,046	-	-	24,046
	<u>33,118</u>	<u>35,404</u>	<u>19,271</u>	<u>13,280</u>	<u>101,073</u>

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - FINANCIAL INSTRUMENTS (Cont.)

C. Management of financial risks (Cont.):

5) Liquidity risk management (Cont.):

c. Fair value of financial assets and liabilities

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

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

(*) Fair value is based on quoted prices in an active market at the end of 31 December 2014, Regarding repaid the full balance of debentures see Note 16.

- 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.

	<u>31 December 2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>U.S dollars in thousands</u>		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	37,130	-	37,130
Investment in a fund designated at fair value through profit or loss	-	2,571	2,571
	<u>37,130</u>	<u>2,571</u>	<u>39,701</u>

	<u>31 December 2014</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>U.S dollars in thousands</u>		
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
	<u>41,579</u>	<u>4,727</u>	<u>46,306</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 - 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	
	2015	2014
	Number of shares	
Authorized	200,000,000	200,000,000
Issued	<u>140,578,154</u>	<u>140,578,154</u>
Outstanding	<u>109,990,252</u>	<u>109,990,252</u>

- 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 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(B), trading in the Company's shares was temporarily suspended commencing March 3, 2014 until August 4, 2014.
- 3) As described in Note 1(C), trading in the Company's shares was suspended commencing April 29, 2016.
- 4) For further information with respect to sale of treasury shares see Note 1(D)

B. WFI shareholder's equity:

- 1) Share options granted according to employee option plan:

For information about WFI's employee option plan, see Note 27(B)(3).

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 - SHAREHOLDERS' EQUITY (Cont.)

B. WFI shareholder's equity (Cont.):

- 2) On November 13, 2014, the board of directors of WFI approved the acquisition of shares of WFINT in an overall budget of up to USD 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 of WFINT were acquired in consideration of the amount of approximately USD 1,691 thousand. During June 2015 396,839 ordinary shares of NIS 0.1 par value of WFINT were acquired in consideration of the amount of approximately USD 2,295 thousand. As a result of these acquisitions, WFI increased its holdings in WFINT shares to 61.75% of the issued and paid up equity of the WFINT.

Following the above-mentioned transactions and Note 6(B), the Company directly holds for 31 December 2015 5.82% of the shares of WFINT and indirectly holds a further approximately 44.11% of the shares of WFINT through WFI.

During the course of June–August 2016, WFI acquired 23,089 par shares of WFINT for a total cost of approximately USD 105 thousands. As a result of the last purchase in 2016 the Company holds indirectly 44.22% of the shares of WFINT through WFI.

4) WFI and WFINT dividend distribution:

- a. On 22 June, 2015 and December 15 2015, the WFI's board of directors approved the distribution of a dividend in the sum of NIS 20 million and NIS 14 million respectively (USD 5.4 million and USD 3.6 million respectively). The dividend was paid in cash on 12 July, 2015 and 31 December 2015 and the Company's share of such distributions was approximately NIS 12.3 million (approximately USD 3.3 million) and NIS 8.6 million (approximately USD 2.2 million), respectively.
- b. On 5 September 2016 WFI announced a distribution of NIS 5 million (USD 1.3 million). The distribution was made on 25 September 2016. The Company's share was approximately NIS 3 million. (approximately USD 0.8 million)
- c. On 22 November 2016 WFIINT announced a distribution of USD 5 million. The distribution was made on 21 December 2016. The Company's direct share was approximately USD 0.3 million.
- d. On 23 February 2017 WFI announced a distribution of NIS 8 million (USD 2.1 million). The distribution was made on 20 March 2017. The Company's share was approximately NIS 5 million (approximately USD 1.3 million).
- e. On 27 November 2017 WFI announced a distribution of NIS 4 million (USD 1.1 million). The distribution will be made on 18 December 2017. The Company's share is approximately NIS 2.5 million (approximately USD 0.7 million).

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 24 - ADDITIONAL INFORMATION ON ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****A. Cost of sales**

	Year ended December 31	
	2015	2014
	U.S. dollars in thousands	
Transportation to warehouse and unloading containers	412	300
Maintenance, lease of warehouse and storage	993	823
Depreciation and amortization	1,296	901
Other	661	319
	<u>3,362</u>	<u>2,343</u>
Decrease (increase):		
Inventory	4,692	785
Purchases	<u>53,921</u>	<u>41,182</u>
Total cost of sales	<u>61,975</u>	<u>44,310</u>

B. Selling expenses

	Year ended December 31	
	2015	2014
	U.S. dollars in thousands	
Expenses for employee benefits	3,282	2,344
Advertising and sales promotion	1,007	1,196
Transportation and maintenance	2,727	1,933
Vehicle maintenance	1,026	875
Depreciation and amortisation	1,136	867
Other	1,349	786
	<u>10,527</u>	<u>8,001</u>

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 - ADDITIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

C. General and administrative expenses

	Year ended December 31	
	2015	2014
	<u>U.S. dollars in thousands</u>	
Payroll and related expenses	2,416	2,349
Management fees and related expenses (1)	4,515	2,474
Legal expenses related to intellectual property (2)	286	1,782
Expenses relating to proposed investment	164	197
Rent and office maintenance (3)	432	356
Consulting (5)	2,584	2,323
Expenses relating to claims (4)	384	2,061
Depreciation and amortisation	183	110
Doubtful debts expenses (6)	878	2
Other	1,134	1,235
	<u>12,976</u>	<u>12,889</u>

- (1) 2015- Includes expenses of share based payment in amount of USD 216 thousand (2014 – USD 765 thousand). For further information see Note 6(B) and Note 27(B)(3). In 2014 the management fees includes USD 660 thousand paid to BGI in relation to the services provided to the Company between 14 August 2013 and 8 September 2014. For further information see Note 27(B)(2)
- (2) Includes, legal expenses with regard to claims filed by the Company against two companies Apple Inc (“Apple”) and Microsoft Corporation (“Microsoft”, and together the “Respondents”) for direct and indirect damages caused by infringement of patents it developed and registered.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 - ADDITIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

C. General and administrative expenses (Cont.)

(2) (Cont.)

(a) Apple - 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 the 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 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 thousand, which was reduced to amount of USD 199 thousand. On 24 June 2016, the Company filed a petition for rehearing and rehearing (the "Petition for Rehearing") En Banc of its appeal on the verdict by the District Court of Northern California (the "Court") on the Order for infringement of the Company's Patent for live streaming. On 1 August 2016 the Court has denied the Petition for Rehearing.

(b) Microsoft - see Note 24(D)(3).

(3) See Note 20(A)

(4) See Note 21

(5) 2015-Includes expenses to Company's Directors and Officers Insurance Policy.2014 - Includes expenses for the Company's prospectus as described in Note 1(B), in the amount of USD 1,360 thousands.

(6) See Note 11(2)

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 - ADDITIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

D. Other losses (income)

	Year ended December 31	
	2015	2014
	U.S. dollars in thousands	
Impairment of Goodwill and other assets (1)	23,751	-
Decrease in non-competition liability (2)	(1,429)	-
Income from legal proceedings net (3)	(1,845)	(1,245)
Other (4)	(563)	(730)
	<u>19,914</u>	<u>(1,975)</u>

(1) See Note 7

(2) See Note 20(C)(3)

(3) 2014- includes income from HM Revenue & Customs ("HMRC") in accordance with legal proceedings filed by Emblaze Mobility Solutions Limited, the Company's subsidiary, regarding a dispute with HMRC held during the years 2011-2015.

2015- include receivables from Microsoft, net from legal advisers expenses, pursuant to a final settlement regarding a claim filed by the Company against Microsoft regarding the infringement of the BSD's U.S. patent no. 6,389,473 for media streaming technology by Microsoft (the "Agreement"). In accordance with the Agreement, Microsoft paid the Company the agreed amount with full mutual releases and license, covenant not to sue, and waivers. The Agreement remains in full force and effect until the expiration of the Patent's Term.

(4) During September 2014, WFINT and its subsidiary filed a claim of approximately NIS 6 million (USD 1.6 million) claim with respect to indirect damages which they incurred following Operation Cast Lead, according to the Property Tax and Compensation Fund Regulations, 2014. On December 21, 2014, WFINT and the Property Tax and Compensation Fund Director signed a settlement agreement for the sum of NIS 2.8 million (approximately USD 0.7 million) without either party waiving their claims and/or accepting the other side's claims. The amount was received in full during the course of January 2015. During the course of January 2015, WFINT's subsidiary received the sum of approximately NIS 1.3 million (approximately USD 0.3 million) and in June 2015, an additional sum of approximately NIS 1 million (approximately USD 0.25 million), as an advanced payment on account of the compensation. On July 20, 2015, WFINT's subsidiary and the Property Tax and Compensation Fund Director signed a settlement agreement for the sum of approximately NIS 2 million (approximately USD 0.5 million), without either party waiving their claims and/or accepting the other side's claims. As a result of this, during the course of July 2015, WFINT's subsidiary reimbursed the Property Tax Administration for the excess amount from the advance payment which it received, in addition to linkage differentials and interest.

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 24 - ADDITIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)****E. Financial Income and Expenses**

	Year ended December 31	
	2015	2014
		Restated(*)
	U.S. dollars in thousands	
Financial income:		
Reverse of impairment loss (*)	5,282	-
Interest income on bank deposits	251	83
Gain from financial assets held for trading	139	-
Gain from sale of available for sale financial assets	-	214
Interest income from debentures held for trading	756	659
Financial assets designated at fair value through profit or loss	313	99
Dividends received from share held for trading	74	173
Net foreign exchange income	-	1,908
Other	70	-
Total financial income recognized in profit or loss	<u>6,885</u>	<u>3,136</u>
Financial expenses:		
Bank fees and charges	148	100
Impairment of financial assets (*)	-	32,202
Loss from financial assets held for trading	-	2,589
Financial assets designated though profit or loss	-	319
Linkage and interest from debenture	-	56
Interest expenses on short term-loan	3	7
Net foreign exchange loss	299	-
Other	107	149
Total financial expenses recognised in profit or loss	<u>557</u>	<u>35,422</u>

(*) See Note 5

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 25 - TAX ON INCOME****A. Deferred tax balances:**

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

	Balance - January 1, 2015	Recognized in profit or loss	Effect of changes in foreign exchange rates	Balance - December 31, 2015
	U.S. dollars in thousands			
Temporary differences:				
Property, plant and equipment	(551)	82	1	(468)
Debentures	48	(49)	1	-
Intangible assets	(2,936)	474	8	(2,454)
Financial assets at fair value through profit or loss	61	(70)	(10)	(19)
Provisions for employee benefits	81	13	-	94
Doubtful accounts	2	232	(1)	233
Total	(3,295)	682	(1)	(2,614)
Tax losses	53	626	-	679
Total	(3,242)	1,308	(1)	(1,935)

	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				
Temporary 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)	545	290	61
Provisions for employee benefits	-	117	(25)	(11)	81
Doubtful accounts	-	26	(22)	(2)	2
Total	-	(4,772)	759	718	(3,295)
Tax losses	-	111	(53)	(5)	53
Total	-	(4,661)	706	713	(3,242)

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25 - TAX ON INCOME (Cont.)

A. Deferred tax balances (Cont.):

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

	Year ended 31 December	
	2015	2014
	U.S. dollars in thousands	
Non-current deferred tax liabilities	1,935	3,242

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

	Year ended 31 December	
	2015	2014
	U.S. dollars in thousands	
Current taxes:		
In respect to the current year	1,482	1,135
In respect to prior years	(14)	-
	1,468	1,135
Deferred tax income in respect of creation and reversal of temporary differences	(1,308)	(706)
Total tax expenses	160	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 in 2015 and 2014 was 26.5% .

On July 30, 2013, the Knesset approved the "Arrangements Law" (hereinafter – the "Law") on its third reading, and it was published in the long registries on August 5, 2013. The provisions of the Law which are relevant to the Company are the increase in corporate tax as of the 2014 tax year, to a rate of 26.5%. As of December 31, 2015, deferred tax balances which are calculated according to the corporate tax rate have been calculated in accordance with the provisions of the Law.

At the beginning of January 2016, the Income Tax Ordinance Amendment Law was published, which stipulates that the corporate tax rate will be reduced to a rate of 25% (instead of 26.5%). The new corporate tax rate was applied to income produced or generated as of January 1, 2016.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25 - TAX ON INCOME (Cont.)

C. Israeli income tax rates (Cont.):

In December 2016, the Economic Efficiency Law (Legislative Amendments to Implement the Economic Policy for Budget Years 2017 and 2018), 2016 was enacted, that included a reduction in the corporate tax rate as of January 1, 2017, to a rate of 24% (instead of 25%), and a rate of 23% as of January 1, 2018.

In accordance with the provisions of IAS 12 – "Taxes on Income," deferred tax balances as of December 31, 2015 do not take into consideration the provisions of said Law, where as its enactment was completed after the end of the reporting period. No significant adjustments are expected to occur as a result of the change in the tax rate.

D. Unrecognised taxable temporary differences associated with investments:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective domiciles of residence.

The Company does not recognize deferred taxes for temporary differences associated with its investments as the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

	Year ended	
	31 December	
	2015	2014
	<u>U.S. dollars in thousands</u>	
Taxable temporary differences in relation to investments in subsidiaries for which deferred tax assets have not been recognised are attributable to the following:		
Domestic subsidiaries	46,303	18,725
Foreign subsidiaries	5,103	5,368
	<u>51,406</u>	<u>24,093</u>

E. Final tax assessment:

The Company and the consolidated companies have not yet been issued final tax assessments as of the date of their establishment. In accordance with the provisions of Section 145 of the Income Tax Ordinance, assessments up through and including 2012 are considered final, subject to certain restrictions.

As a result of the above mentioned in Note 1(C) the Company failed its obligation to submit its tax reports for the years ended 31 December 2014 and 2015 as requested by Law and the Israeli tax authorities initiated investigation with respect to the missing reports. The Company is acting to file its tax reports as soon as possible.

F. Losses and deductions carried forward for tax purposes:

As of 31 December 2015, 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 did not record a tax benefit in respect of the carry forward losses due to the uncertainty of their utilisation

B.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 25 - TAX ON INCOME (Cont.)****G. Reconciliation of the theoretical tax expense to the actual tax expense:**

	Year ended	
	31 December	
	2015	2014
		Restated(*)
	U.S. dollars in thousands	
Loss before tax	(18,613)	(38,269)
Statutory tax expenses	26.5%	26.5%
Tax expenses calculated	<u>(4,932)</u>	<u>(10,141)</u>
Effect of income that is exempt from taxation	(1,821)	(18)
Effect of expenses that are not deductible in determining taxable profit	264	1,627
Impairment losses on financial assets	-	8,533
Impairment losses on goodwill and other intangible assets that are not deductible	6,294	-
Depreciation and amortization that are not deductible	375	308
Loss (gain) of securities without creating deferred tax	-	(64)
Effect of deductible temporary differences	10	10
Other	<u>(16)</u>	<u>174</u>
	5,106	429
Adjustments recognised in the current year in relation to the current tax of prior years	<u>(14)</u>	<u>-</u>
Tax expenses recognised in profit or loss	160	429

NOTE 26 - LOSS PER SHARE

	31 December	
	2015	2014
		Restated(*)
	U.S. dollars in thousands	
Number of shares used for calculation of earnings per share – Basic	<u>109,990,252</u>	<u>109,990,252</u>
Continuing operations:		
Net loss attributable to equity holders of the Company	<u>(18,939)</u>	<u>(39,150)</u>
Basic and diluted loss per share to Company's shareholders	<u>(0.17)</u>	<u>(0.36)</u>

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

A. Balances:

As of 31 December 2015:

	Controlling shareholder and related parties	Key management personnel(*)
	U.S. dollars	in thousands
Other receivable and prepaid expenses	266	38
Other accounts payable and deferred revenues	1,600	63

As of 31 December 2014:

	Controlling shareholder and related parties	Key management personnel(*)
	U.S. dollars	in thousands
Other receivable and prepaid expenses	19	-
Other accounts payables and deferred revenues	800	23

(*) includes Chief Executive Officer and Chief financial officer

B. Benefits to key management personnel and related parties:

	Year ended 31 December	
	2015	2014
	U.S. dollars in thousands	
Termination agreement (1)	1,888	-
Management fees and directors fees (2)	2,640	2,809
Short-term benefits	560	462
Post-employment benefits	163	-
Share-based payment (3)	256	1,162
	<u>5,507</u>	<u>4,433</u>

(1) For details regarding the Termination Agreement with Mr. Zwi Williger and Joseph Williger, the former executive officers of WFI, and other undertakings of the Company, WFINT, and WFI with respect to the Termination Agreement, see Note 20(C)(3).

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

B. Benefits to key management personnel and related parties (Cont.):

- (2) Mainly includes payments fees to Mr. Joseph Williger and Mr. Zwi Williger as detailed in Note 20(C)(3) from WFI Group. In addition, a payments to the Company's former chief executive officer as approved on the Company's general meeting held on 8 September 2014 ("2014 GM").

2014 GM approved the terms of service of the former chief executive officer (which was then subject to the approval of BGI, which approval was obtained on 5 October 2014), the terms of employment of the former 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) plus VAT.

As part of the BGI Management Agreement, the Company paid BGI on September 2014 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.

On May 2017 BSD informed BGI on the termination of BGI Management Agreement with immediate effect. As a result of unpaid debts to the Company by BGI with respect to the monthly management fees, the Company filed on June 2017 a request for liquidation against BGI to the economic department in Tel – Aviv District Court.

(3) Share based payment in 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:

- (a) 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.
- (b) One-third (1/3) - between 24 months after the record date to 48 months after the record date.
- (c) One-third (1/3) - between 36 months after the record date to 60 months after the record date.

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.

B.S.D CROWN LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

B. Benefits to key management personnel and related parties (Cont.):

(3) Equity compensation in the WFI Group (Cont.):

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

In March and December 2015- 133,334 options each were converted into shares of WFINT by JW and ZW for more information, See Note 6(B)

For the effect on the Company's consolidated income see Note 6(B).

- (4)** On 30 June 2016 the Company signed a credit agreement ("Credit Agreement") with Mr. Gregory Gurtovoy, the ultimate controlling shareholder of Israel 18, the former controlling shareholder of the Companies ("Lender"), after receiving board approval on 22 June 2016. Lender has agreed to make a credit line available to the Company up to USD 200 thousands. The Company repay the amounts without premium or penalty and will not bear interest and no linkage.

On 30 June 2016 and 7 July 2016 Israel 18 granted a loan to the Company in the aggregate amount of USD 63 thousands and USD 30 thousand respectively, for current activity.

NOTE 28 - 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.S.D CROWN LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 28 - OPERATING SEGMENTS (Cont.)****B. Reporting segments:**

	Year ended 31 December	
	2015	2014
	Restated(*)	
	U.S. dollars in thousands	
<u>Revenues</u>		
Import marketing and distribution of food products	80,502	58,210
Other	1,263	295
	<u>81,765</u>	<u>58,505</u>
<u>Segment (loss) income</u>		
Import marketing and distribution of food products (**)	(24,016)	2,230
Other (*)	(925)	(8,213)
	<u>(24,941)</u>	<u>(5,983)</u>
Operating loss	(24,941)	(5,983)
Financial income (loss), net	6,328	(32,286)
Loss before taxes	(18,613)	(38,269)

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

(**) Regarding recognition of impairment losses see Note 7.

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		Year ended 31 December	
	2015		2014	
	U.S. dollars		U.S. dollars	
	In thousands	%	In thousands	%
Customer A	14,723	18	9,322	16

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28 - OPERATING SEGMENTS (Cont.)

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

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

	<u>Year ended 31 December</u>		<u>Year ended 31 December</u>	
	<u>2015</u>		<u>2014</u>	
	<u>U.S. dollars</u>		<u>U.S. dollars</u>	
	<u>In thousands</u>	<u>%</u>	<u>In thousands</u>	<u>%</u>
Canned vegetables	10,586	14	9,985	17
Dairy and dairy substitute products	25,824	33	15,277	26
Fruit, nuts and beans	-	(*)	6,248	11

(*) Less than 10%.

NOTE 29 - SUBSEQUENT EVENTS

A. To the best knowledge of the Company as of the date of issuance of these financial statements, 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") owns 20.95% of the Company's shares and Israel 18 B.V. ("Israel 18") has a contractual right to 16.17% of the Company's shares, which right is subject to a pledge.

On 15 July, 2015 The Company has been informed by, Mr Oleksandr Granovskyi, its former ultimate controlling shareholder, and by Mr. Gregory Gurtovoy, that with effect from 15 July, 2015, Mr Oleksandr Granovskyi and Stichting Chabad Charity Foundation (both: the "Sellers") have sold to Mr. Gurtovoy their entire holdings in Israel 18 B.V.

B. On 3 February 2016, the Company received a request from Adv. Arnon Gicelter (the "Trustee"), who to the Company's best knowledge held at the time in trust the contractual right for the BSD Shares owned by Israel 18 as a security in connection with the purchase shares of BSD on August 2013 , to convene an extraordinary general meeting of shareholders of the Company in order to remove the directors of the Company (other than External Directors) and replace such directors with nominees of the Trustee. The Company and the board notified that they will comply with any competent judicial decision with regard to this matter.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

B. (Cont.)

On May 8, 2016, Israel 18 entered into a settlement agreement with the Trustee that was given the force of a court judgment, in which Israel 18 would pay the Trustee the sum of approximately USD 2 million within 60 days, and the balance within 4.5 months from the date of the execution of the agreement. As a result of failure to meet the payment schedule set by the court, the court issued a temporary injunction on disposition of the surety shares in order to permit additional parties to submit their responses to the Motion, by August 22, 2016. After a postponement, an auction date was set for September 27, 2016.

On 28 September 2016, the court approved the loan agreement ("Loan Agreement") between Taaman Food Marketing Ltd ("Taaman") and between Israel 18, through which Israel 18 repaid its debt to Shani. BGI Shares and BSD Shares are held in trust in favor of Taaman and Israel 18 by Advocate Yaakov Amster ("Taaman Trustee"). On 29 September 2016, Israel 18 notified BGI that it had entered a memorandum of understanding ("Memorandum of Understanding") with Taaman to collaborate in control of the Group's companies in equal share, as stipulated in the Memorandum of Understanding. The Memorandum of Understanding was subject, inter alia, to approval by the Antitrust Commissioner.

On January 15, 2017, BGI gave notice that it had entered into an agreement (the "Peretz Agreement") with Mr. Mordecai Peretz (the "Buyer") for the sale of shares of BSD. According to what was stipulated in the Peretz Agreement, subject to conditions precedent, BGI would sell 50% of its holdings in BSD and would exercise BGI's right of first refusal after Israel 18 charged its direct holdings in BSD to third parties. On January 31, 2017, BGI notified the Buyer that the conditions precedent had been met and that BGI intends to exercise its right of first refusal.

Following Peretz Agreement as described above, Taaman claimed a breach of Israel 18's and BGI's obligations to it and requested to receive all of the charged shares held by Taaman Trustee.

As a result of Taaman request, BGI filed a motion to order Taaman Trustee to vote with BSD's shares according to the right given to it based on the shareholders' agreement that it executed between BGI and Israel 18.

In decisions issued on March 16 and 20, 2017, the court ordered that Taaman Trustee will vote BSD's shares according to his judgment during the shareholders meeting that would be convened by BSD on March 29, 2017 ("GM").

On 23 April 2017, the District Court of Tel Aviv ruled that the 10,278,451 shares of the Company held by Advocate Yaakov Amster, in his capacity as court-appointed trustee over such shares, should be voted in accordance with Adv. Amster's discretion and that the Company will convene its adjourned general meeting by no later than 5 May, 2017. For further information with respect to said general meeting held on 5 May, 2017 see Note 29(J).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

- C. On 3 January 2016 a motion for discovery was served by Mr. Eldad Levi who claimed to own 18,652 shares of the Company.

Mr. Levi requested the disclosure of documents relating to the Company's deposits with Meir Bank and IBAR.

On 6 January 2016 the Company and BGI were served with a motion for discovery before derivative action, by Mr. Dan Iram, who claimed to own 3,100 shares in BGI (the "Motion").

The Motion is requesting the disclosure of certain documents and board minutes relating to certain bank accounts held by the Company and BGI and their subsidiaries in Austria and Azerbaijan, as well disclosure of certain other documents from the relevant banks. On 11 August 2016 the Court has rejected the Motion due to concern of compromising the investigation.

On July 19, 2016 the Company received a request to approve a derivative action, on behalf of the Company and BGI, against the Company's previous officers and auditors ("Respondents"), regarding damages allegedly caused to the Company due to the deposits in foreign banks, for the total amount of approximately USD 50 million. This has been filed with the Economic Department of the Israeli District Court in Tel Aviv. As a result of ongoing investigation as described below the court postpone the filing of the Respondent's response until 25 December 2017.

- D. On February 17 2016, as a result of suspicions of certain breaches of Israeli securities laws and criminal offenses, the Israel Securities Authority ("ISA") initiated an investigation. The ISA conducted a search at the offices of the Company, and the offices of its Parent Company, B.G.I Investments (1961) Ltd., and its subsidiaries Willi-Food Investments Ltd. and G. Willi-Food International Ltd. (the "Group") during which certain computers and other materials were seized by the ISA. Similarly, a number of former officers and directors within the Group were being questioned by the ISA, and the former chairman of board of directors and the indirect controlling shareholder of the Group at the time, Mr. Gregory Gurtovoy, has been detained.

On 18 June 2017 the Tel Aviv District Attorney's Office (Taxation and Economics) informed Gurtovoy, that it is considering filing an indictment against him, inter alia on suspicion of theft by an agent, aggravated fraud, money laundering, fraud and breach of fiduciary duties and false registration of corporate documents.

According to the statement of accusation, in July 2015, Alexander Granovsky transferred control of the Group to Gurtovoy, at the time, the Group had deposits of about USD 60 million in banks in Austria and Azerbaijan. The statement charges Gurtovoy with a long series of misrepresentations, fraud and theft of funds.

According to the statement of accusation: as of July 2015, Gurtovoy has taken advantage of his position as controlling shareholder and chairman of the board of directors in order to conceal the fact that the aforementioned deposits were pledged in favor of the loans given to companies connected with himself and with Granovsky. In fact, the funds were stolen from the Group, for further information with respect to the decline in the value of Foreign Bank Deposits as a result of fraud, see Note 5. Gurtovoy falsely presented himself to the officers and directors of the Group as if he were acting independently and for the benefit of the Group, when in fact he continued to include Granovsky in the decision making and was an active partner in concealing the lien of the funds, and even illegally withdrew

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

D. (Cont.)

additional funds. Gurtovoy caused the Group to make false public reports regarding the deposits, as well as to withhold reporting material events.

In addition, according to the statement of accusation: in January 2016, Gurtovoy had fraudulently withdrawn USD 5 million from WFINT by misrepresenting himself to the WFINT's officers, telling them that it was an investment in bonds. WFINT transferred USD 3 million, which was pledged to repay a loan received by a private company related to Granovsky and Gurtovoy, and as fully detailed in Note 29(L)(4) .

Gurtovoy was given the opportunity to attend a hearing before the Tel Aviv District Attorney, before the decision would be made of whether to file an indictment against them.

The matter of other suspects involved is still under investigation.

The case was investigated by the Intelligence and Trade Control Department of the Israel Securities Authority, accompanied by the Tel Aviv District Attorney's Office (taxation and economics).

- E.** On 21 June 2016, the Company's legal advisors received a copy of a motion against the Company and its Directors (the "Motion"), which had been filed with the Economic Department of the Israeli District Court in Tel Aviv (the "Court") by a shareholder of the Company, Zvi V & Co Ltd. (the "Petitioner").

In the Motion, the Petitioner has asked the Court to declare that the Company's affairs are being managed in a prejudicial way and that the Directors have breached their duties under Israeli Companies law. The former Board who was active at that date rejected the claims made by the Petitioner in the Motion . A hearing was held on 27 June 2016 (the "Hearing") and the agreement was reached between the parties . The court declared the "Agreement" valid and, as such, was not capable of being unilaterally cancelled.

The Agreement, provided that Mr. Gregory Gurtovoy and the other directors proposed by the Company to be appointed at the Company's General Meeting shall be approved by the Petitioner.

In the Company's General meeting held on 5 July 2016 the following resolutions were passed: Election of Mrs. Neomi Enoch, Mr. Gil Leidner , Mrs. Iris Even-Tov as a director and Re-election of Mr. Gregory Gurtovoy as a director.

On 20 July 2016 the Company recieved the consent from the Petitioner and from Yossi Williger for, inter alia to appoint an external director of the Company and to appoint an additional board member in the Company. Consequently Mrs. Iris Even-Tov was nominated as external director since 5 July 2016 and Mrs. Sarit Levithan was nominated as board member since 20 July 2016.

Following August and September 2016 the Company was informed the resignation of three of its directors with immediate effect. As such between August 2016 and October 2016 the Board of directors appointed new board members. On 24 November 2016 the external director of the Company ended his terms. For further information with respect to the replacement of the board see Note 29(J).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

- F.** On 14 July 2016 Israel Yosef Schneorson informed the Board of Directors of his intention to step down from his post as CEO of the Company with effect from 31 October 2016 to pursue other interests and new challenges. On 24 August 2016, the Board of Directors notified Mr. Schneorson, that his management services agreement with the Company is terminated with immediate effect in light of the events that was occurred at that time and was published by the Company. Consequently he ceased to act as the Company CEO from that date.
- G.** Following information received by IBAR on 1 August 2016 and as detailed in Note 5(A)(2), on 18 August 2016 the Company filed, with the Economic Department in Tel Aviv District Court (the "Court"), a motion for interim orders, against Israel 18, the controlling shareholder of BGI, to secure an amount of up to USD 13.1 million out of any monies that Israel 18 is or might be entitled to receive from the sale of any shares in BGI and/or in the Company.
- The Company also requested an order forbidding Israel 18 from disposing any of its assets, whether located in Israel or anywhere else in the world.
- The Court gave an ex-parte decision, ordering the freezing of any monies received by the respondents from the sale of shares. On 25 August 2016, and further to the motion for Interim Orders, a claim was filed against Israel 18 and IBAR for the return of the sum of USD 13.1 million, which amount was deposited in IBAR by the Company, as a Company deposit, and which IBAR now claims has been used as security for a loan taken by Israel 18. On 3 October 2017 at the request of the Company, the Court dismissed the claim , and the Company reserved the right to refile the motion.
- H.** On 30 August 2016, a hearing regarding the Company's subsidiary, Emoze Ltd. (that does not represent a separate major line of business), was held at the Israeli District court in Tel Aviv, in which the Court decided to appoint a temporary liquidator (the "Temporary Liquidator"). The Temporary Liquidator authorized to capture all Emoze's assets including intangible assets and patents to secure and insurance them. Since that date the Company no longer controls Emoze and therefore Emoze will not be consolidated in the Company's consolidated financial statements starting from that date. Based on the information currently available to the management, management does not expect that the above will have a significant effect on the Group's financial statements. .
- I.** On 20 September 2016, Yossi Willi Management and Investments Ltd ("YWMI") made a cash offer to holders of ordinary shares in the capital of the Company to acquire not less than seventeen and three quarters (17.75) per cent. and up to twenty (20) per cent. of the voting rights of the Company. The offer valued each share of the Company at GBP 27.5 pence. On October 20, 2016 YWMI announced the following modifications to the offer: (i) the minimum aggregate amount of BSD Shares proposed to be purchased was reduced from 17.75% to 6%; and (ii) the acceptance period was revised such that the offer is open for acceptance until November 21, 2016.
- On November 15, 2016, YWMI announced additional modifications to the offer: (i) waiving the minimum amount of Shares to be purchased under the offer so that they will purchase all shares duly tendered; and (ii) reduced the maximum amount of shares to be purchased from 20% to 15% ;and (iii) extended the acceptance period of the offer until December 15, 2016.
- On 14 December 2016 YMWI announced the extension of acceptance period until 18 January 2017. On 24 January 2017 YWMI announced the results of the offer: a total of 8,729,488 shares representing 7.94% of the Company's share capital (excluding treasury shares), as at 18 January 2017, were validly tendered under the offer. The settlement of the cash consideration was effected by 8 February 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

- J.** On 9 February 2017, a Company's shareholder, Yossi Willi Management and Investments Limited ("YWMI") announced that a letter was sent, to the past directors of the Company to request the convening of a General Meeting of the shareholders of BSD ("GM") as soon as possible and no later than April 1, 2017.

YWMI, together with its parent company Y.M. Dekel Holdings and Investment Limited, held 27,979,678 shares in BSD, representing approximately 25.4% (before the sale of shares as described in Note 1(D)) of the issued share capital.

The requested proposals to the General Meeting were:

- i) The removal of all the incumbent non-external directors of BSD;
- ii) The election to the board of directors of: Shlomo Wertheim (to serve as an external director), Keren Marcus, Joseph Williger, Avi Zigelman and Shmuel Messenberg; and
- iii) That the directors' remuneration be equal to external directors' remuneration in accordance with the Israeli Companies Regulations (Rules regarding Compensation and Expenses of an External Director) 5760-2000.

After two adjournments, BSD's GM was held on 5 May 2017. Pursuant to the GM results (the "Results") all incumbent non- external directors were dismissed from their position, all non- external directors suggested by YWMI were elected. On 16 May 2017 the Company published a correction to the Results and the additional suggested external director was appointed.

- K.** On 3 September 2017, an Originating Motion was filed with the Tel Aviv District Court (the Economic Department) by BGI Investments (1961) Ltd. and Israel 18 (hereinafter together: "the Petitioners") against the Company, the directors then serving in the Company, Taaman Trustee and Taaman as define in subsection (B) above.

In the motion, the Petitioners object to the decision of the Company's Board of Directors to sell dormant shares of the Company and ask that it be voided because, according to the Petitioners, it was not made in accordance with the provisions of the Companies Law and the Company's Articles of Association, or alternatively, to instruct the Company and its directors, including the controlling shareholder, to transfer 19,350,000 shares (the total of the dormant shares sold) to the Company for no consideration. Alternatively, the Petitioners request an order that the shares sold be dormant shares.

The Court was also asked to declare that the appointment of Mr. Shlomo Wertheim as an external director was null and void, and that all Company decisions that required the participation of an external director and which were made with his participation are void.

Prior to filing the motion, on 24 August 2017, the Plaintiffs filed a motion for Injunctive Relief (and Temporary Restraining Order) (hereinafter: the "Request for Injunctive Relief"), in which the Court was requested to issue a temporary injunction prohibiting the execution of the transaction, or alternatively, if the transaction was executed, to order a freeze on its implementation.

On 4 September 2017, the Company filed a response to the Request for Injunctive Relief in which it claimed that the decision regarding the sale of the dormant shares was made in accordance with the law and in accordance with the provisions of the Company's Articles.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

K. (Cont.)

On 5 September 2017, a hearing was held on the Request for Injunctive Relief, at the end of which the parties reached an agreement, upon the recommendation of the Court, according to which injunctive relief would not be granted, and the Company would contact the purchasers of the dormant shares and request their consent towards the Company, that if they use the right given to them in the Share Purchase Agreement to carry out the transfer of shares during the LOCK-UP period, they will do so only after notifying the Company at least 21 days in advance.

On 18 September 2017, Israel 18 filed an urgent motion for Injunctive Relief (hereinafter: the "Additional Request for Injunctive Relief"), which BGI also joined on 19 September 2017, in which a temporary injunction was requested preventing the purchasers from voting their shares at the shareholders meeting scheduled for 25 September 2017. On 24 September 2017, a hearing was held on the Additional Request for Provisional Remedy, at the end of which the request was dismissed on the recommendation of the Court.

On 8 November 2017, the Court has accepted the Company and its directors' request, to order BGI and Israel 18 to deposit a guarantee of NIS 400 thousands (USD 114 thousands) for the benefit of the Company and its director's in order to insure the payment of the Company and its directors' legal costs.

The Company will submit a response to the Originating Motion 15 days after the guarantee will be deposit

According to the Company's legal advisers, in view of the preliminary stage of the proceeding, the Company cannot estimate its chances at this stage.

L. Subsequent events in WFINT

1) On February 18, 2016, trading was suspended in WFINT's securities, whose shares are traded, as aforesaid, on the NASDAQ in the US. From a conversation between the WFINT's attorney and a representative of NASDAQ Listing Qualifications ("NASDAQ") following the aforementioned suspension of trade, WFINT received letters from NASDAQ requesting clarifications with regard to the investigation being conducted by the Israeli Securities Authority in connection with the suspicion of the violation of certain sections of the Israeli Securities Law.

WFINT responded to the questions raised in the letters, under the restrictions of the investigation and in April 7, 2016 the trading in WFINT's securities were renewed.

2) On February 24, 2016, a motion to certify a class action claim (the "Motion") was received at the WFI's offices. The motion was submitted to the Economic Division of the District Court in Tel Aviv by the Yaad Pe'er Management Services Ltd. (the "Petitioner") company, which claims it holds shares in WFI. The lawsuit is against all of WFINT's directors as well as officers in WFINT. The Company and WFINT were joined as respondents to the motion.

The certification motion deals with the Petitioner's claim of damages incurred by WFI, which are assessed by the Petitioner at the filing of the motion, at approximately USD 3 million because of claimed breaches of the duties of faith, care, and skill, by the directors and officers toward WFI in connection with an

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

L. (Cont.)

2) (Cont.)

investment in the sum of USD 3 million in a company registered in the Czech Republic, and that holds a hotel in the Czech Republic that is inactive. The Petitioner claims that the investment has no connection to WFI's activities, and it apparently serves in assisting the former controlling shareholder in the Company in other matters or to cover other obligations that he has.

Taking note of the investigation being conducted by the Securities Authority (the "Authority"), inter alia, regarding matters that have arisen in the framework of this litigation, in the framework of which restrictions were imposed that prevent the WFI's officers who are respondents to the certification motion from conversing with the WFI's attorneys in the framework of the certification motion – the deadline for submission of the WFI's response to the motion to certify a derivative lawsuit has been extended. On September 27, 2016, the Authority filed a notice updating the court, in which it requested that the restrictions that it imposed remain in effect for an additional 6 months. On October 5, 2016, WFI submitted a response to the Authority's update notice, in which it requested an extension of the deadline for submission of the WFI's response to the certification motion to 60 days after the restrictions imposed by the Authority are removed. On January 22, 2017, the court held that in light of the Authority's restrictions, at this stage, the deadline for submission of the Company's response must be postponed. On May 10, 2017 after the court re-examined the Petitioner's claim, the court decided that the deadline for submission of its response will be at least 60 days from the date on which the restrictions imposed by the Authority are removed. On 3 July 2017 the court decided that the Authority will file an update to its notice until 15 September 2017. On 14 September 2017, the Authority submitted an update notice to the Court, stating that the restrictions had not yet been removed. On September 14, 2017, the Court decided that the Authority would submit an additional update to the Court until 7 December 2017.

- 3)** On February 29, 2016, WFINT was served with a lawsuit and a motion to certify it is a class action (securities class-action) which was filed in the US in the Federal District Court for the Southern District of New York by a shareholder who claims to own shares of WFINT (the "Plaintiff"), against WFINT, Mr. Gurtovoy, former chairman of the WFINT's and WFI's Boards of Directors, and the former (ultimate direct) controlling shareholder, and some of the officers (past and present) (the "Defendants").

The lawsuit is a demand for compensation for alleged damages incurred by the Plaintiff because of a violation of federal securities laws and other laws by the Defendants during the period from April 30, 2014 and until February 18, 2016.

On September 23, 2016, the chief representative of the group of Plaintiffs signed a motion to withdraw from the lawsuit without cost to WFINT.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

L. (Cont.)

- 4) Further to Note 29(D) and to the extent the Company is aware, the Securities Authority suspects, with respect to the WFI's business dealings, that during the course of January 2016, the sum of approximately USD 2.25 million (approximately NIS 8.5 million) were transferred from WFINT's bank account for investment in the bonds of a European company, in a field that is not related to the field of foodstuffs in which WFI is engaged, and which according to the suspicion, served as a sort of collateral for a loan made for the needs of the former Company's (ultimate) controlling shareholder or another.

This investment was made by BHWFI Ltd., a company wholly owned by WFINT ("BHWFI"), under a letter of undertaking to purchase 300 bonds (debentures) of par value USD 10,000 each (the "Letters of Undertaking"). The bonds bore an annual interest of 6%, paid twice annually. The first payment is on June 30 and the second on December 31 of each year, as of the date they were issued and until the date of final payment – December 31, 2018. The issuer had the right to redeem the bonds early, with prior notice of 30 days, without penalty. On May 18, 2016, further to BHWFI request of the issuer, the issuer confirmed (including by means of extracts from the Lands Registrar and to the Companies Registrar in the local country), that the issuer is the full owner of a dedicated company that holds all of the rights in the bonds' underlying property, and that the investment monies were received by the issuer and registered in favor of BHWFI (the "Response Letter").

Additionally, the issuer claimed that BHWFI allegedly undertook to invest in the bonds in three rounds, for a total sum of USD 5 million, and that the sum of USD 2.75 million had not yet been transferred to the issuer with respect to the balance of bonds that had not yet been purchased (the "Demand" or the "Claimed Undertaking"). It must be noted that the sufficient documentation of the Claimed Undertaking was not attached to the issuer's Demand.

From the companies' registrar extracts that were received by the Company for the first time when they were attached as exhibits to the Response Letter, it was discovered that the ultimate shareholder of the issuing company is Austrian bank, Meinel Bank AG.

On June 30, 2016, the issuer paid the first interest payment with respect to the bonds that BHWFI actually provided (USD 2.25 million), in accordance with the bond terms.

On December 30, 2016, BHWFI and the issuer executed an agreement for early redemption of the bonds (hereinafter: the "Agreement"), in consideration of USD 1.8 million that would be paid by February 15, 2017. Similarly, in the framework of the terms of the agreement, the issuer waived all of its claims against BHWFI, including an additional supposed undertaking for an additional investment in the bonds, up to the sum of USD 5 million.

On March 21, 2017 and July 6, 2017, payments in the sum of USD 200 thousand and USD 400 thousand, respectively, were received. In light of the uncertainty of the collection of the balance of the debt in the sum of USD 1.6 million, WFINT recognized, in its financial statements for 31 December 2016, a loss in the amount of the debt balance that has not yet been paid.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 - SUBSEQUENT EVENTS (Cont.)

L. Subsequent events in WFINT (Cont.)

- 5) On May 7, 2017, Mr. Joseph Williger, notify WFI that he is the indirect controlling shareholder of WFI through the Company's holdings. On May 24, 2017 WFI received a demand from BSD to convene an extraordinary meeting of WFI's shareholders within 14 days from the notice date, whose agenda included the following matters: (a) The appointment of Mr. Zwi Williger, Mr. Kobi Navon, Mr. Bentzi Sao, and Mr. Joseph Williger, to serve as directors in WFI, until the date of the election of other directors in their place at WFI's next general meeting; (b) The granting of a waiver, indemnification, and insurance, to the directors who will serve in WFI from time to time, other than Mr. Joseph Williger and other than Mr. Zwi Williger; (c) Termination of the service of the directors currently serving in WFI, other than WFI's external directors.

On 12 June 2017 WFI's shareholders meeting was held and all BSD suggested agenda was approved.

- 6) On 20 June 2017 an extraordinary meeting of WFINT shareholder was held. The following proposal of the Company were approved by the requisite majority: (a) the election of Mr. Zwi Williger, Mr. Gil Hochboim, Mr. David Donin and Mr. Joseph Williger as directors of the Company, each to hold office subject to the WFINT's Articles of Association and the Companies Law; (b) to re-appoint Deloitte Touche Tohmatsu Limited - Brightman, Almagor, Zohar & Co. CPA (ISR) as WFINT's independent auditors for the year ending December 31, 2017 and for the period until the next Annual General Meeting of WFINT's shareholders, and to authorize the WFINT's Board of Directors, upon recommendation of its Audit Committee, to determine their remuneration.

NOTE 30 - SUBSIDIARIES

Details of the Group's active subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/12/2015	31/12/2014
Willi-Food Investments Ltd.	Food industry	Israel	61.65%	61.65%
G.Willi Food Investments Ltd.	Food industry	Israel	67.58%	63.86%
Gold Frost Ltd.	Food industry	Israel	100%	100%
BHWFI Ltd.	Food industry	Israel	100%	100%
Emoze Ltd.	Software company	Israel	95%	95%
Emblaze Mobility Solutions Ltd.	General commercial company	England	100%	100%