

B.S.D CROWN LTD.

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AS OF AND FOR THE
SIX MONTHS ENDED 30 JUNE 2016

UNAUDITED

IN NIS

B.S.D CROWN LTD.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED
30 JUNE 2016**

UNAUDITED

IN NIS

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Report on Review of Interim Financial Information

To the shareholders of B.S.D. Crown Ltd.

Introduction

We have reviewed the accompanying Interim Condensed Consolidated Statements of Financial Position B.S.D. Crown Ltd and its subsidiaries as of June 30, 2016 and the related Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income, Interim Condensed Consolidated Statement of Changes in Equity and the Interim Condensed Consolidated Statement of Cash Flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at June 30, 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance IAS 34.

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Emphasis of Matter

Without qualifying our conclusion, we draw attention to :

1. Note 4 of the interim financial information and notes referred to in Note 4, which describe a restatement of Interim Condensed Consolidated Financial Statements as of and for the period of six months ended 30 June 2015, including circumstances of the aforesaid restatement, and the proceedings resulting from the events that led to the restatement.
2. Note 8 (D) of the financial information describing an investigation by 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 8(M)(2) and 8(M)(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 8(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 8(M)(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.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	175,308	97,947	89,519
Short-term deposits	884	20,294	21,258
Deposits held in trust in favor of liabilities	-	13,219	-
Financial assets at fair value through profit or loss	82,576	145,024	144,882
Investment in a fund designated at fair value through profit or loss	-	10,853	10,034
Trade receivables	90,384	88,465	81,419
Other receivables and prepaid expenses	9,849	5,633	15,722
Inventories	33,097	46,969	34,548
Total current assets	392,098	428,404	397,382
NON-CURRENT ASSETS:			
Investments in foreign bonds	8,299	-	-
Property, plant and equipment, net	51,385	52,277	52,025
Intangible assets:			
Customer relationships	16,932	19,412	18,172
Supplier relationships	7,518	10,174	8,846
Brands	4,217	5,089	4,653
Non-competition agreements	2,525	4,662	4,662
Total non-current assets	90,876	91,614	88,358
Total assets	482,974	520,018	485,740

*) See Note 4

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2016	2015	2015
	Unaudited	Restated* Unaudited	Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from bank and others	-	4	16
Current maturities of debentures	-	13,189	-
Trade payables	16,442	17,694	14,150
Dividend payable to non-controlling interest	-	7,670	-
Other accounts payable and deferred revenues	12,616	15,068	17,723
Employee benefit liabilities, net	2,947	3,245	2,814
Financial liability for non – controlling interest put option	-	1,827	-
Total current liabilities	32,005	58,697	34,703
NON-CURRENT LIABILITIES:			
Financial liability for non-current liabilities	-	1,269	-
Employee benefit liabilities, net	664	737	855
Liability for non- competition payments	-	5,577	-
Deferred taxes	5,827	9,745	7,550
Total non-current liabilities	6,491	17,328	8,405
EQUITY:			
Share capital	1,349	1,349	1,349
Share premium	1,890,454	1,890,454	1,890,454
Treasury shares	(344,989)	(344,989)	(344,989)
Reserve from transactions with non- controlling interests	(3,328)	(4,308)	(3,384)
Reserve from translation of financial statements of foreign operation	377	-	-
Reserve from initial translation of the Company financial statements	85,279	84,797	85,279
Accumulated deficit	(1,418,224)	(1,417,019)	(1,415,155)
Equity attributable to Company's equity holders	210,918	210,284	213,554
Non- controlling interests	233,560	233,709	229,078
Total equity and non-controlling interests	444,478	443,993	442,632
Total liabilities and equity	482,974	520,018	485,740

*) See Note 4

The accompanying notes are an integral part of the interim condensed 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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
	Unaudited	Restated*	Audited
	NIS in thousands (except loss per share)		
Revenues	160,414	160,842	317,942
Cost of sales	(118,425)	(126,833)	(241,061)
Gross profit	<u>41,989</u>	<u>34,009</u>	<u>76,881</u>
Research and development	2,675	2,212	5,106
Selling expenses	20,232	21,102	40,945
General and administrative expenses	13,922	18,249	50,493
Other loss	1,957	81,215	74,587
Total operating expenses	<u>38,786</u>	<u>122,778</u>	<u>171,131</u>
Operating income (loss)	3,203	(88,769)	(94,250)
Financial income	2,130	19,420	26,558
Financial expense	(1,109)	(5,135)	(2,206)
Income (loss) before taxes on income	<u>4,224</u>	<u>(74,484)</u>	<u>(69,898)</u>
Taxes on income	(2,436)	446	(619)
Gain (loss) for the period	<u>1,788</u>	<u>(74,038)</u>	<u>(70,517)</u>
<u>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods, net of tax:</u>			
Exchange differences on translation of foreign operation	377	-	-
<u>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods, net of tax :</u>			
Adjustments arising from initial translation of the Company financial statements	-	647	1,129
Remeasurement loss from defined benefit plans	-	33	(127)
Total other comprehensive income, net of tax	<u>377</u>	<u>680</u>	<u>1,002</u>
Total comprehensive income (loss)	<u>2,165</u>	<u>(73,358)</u>	<u>(69,515)</u>
Gain (loss) attributable to:			
Equity holders of the Company	(3,069)	(73,027)	(71,163)
Non- controlling interests	4,857	(1,011)	646
	<u>1,788</u>	<u>(74,038)</u>	<u>(70,517)</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(2,692)	(72,379)	(70,034)
Non- controlling interests	4,857	(979)	519
	<u>2,165</u>	<u>(73,358)</u>	<u>(69,515)</u>

Basic and diluted net loss per share attributable to Company's equity holders (in NIS):

Net loss per share	<u>(0.03)</u>	<u>(0.65)</u>	<u>(0.65)</u>
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The accompanying notes are an integral part of the interim condensed consolidated financial statements.

B.S.D CROWN LTD.
INTERIM CONDENSED 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>Reserve from transactions with non-controlling interest</u>	<u>Reserve from translation of financial statements of foreign operation</u>	<u>Reserve from initial translation of the Company financial statements</u>	<u>Accumulated deficit</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>	
NIS in thousands										
Unaudited										
Balance as of 1 January 2016	1,349	1,890,454	(344,989)	(3,384)	-	85,279	(1,415,155)	213,554	229,078	442,632
Net (loss) income	-	-	-	-	-	-	(3,069)	(3,069)	4,857	1,788
Other comprehensive (loss) income:										
Exchange differences on translating foreign operation	-	-	-	-	377	-	-	377	-	377
Total comprehensive (loss) income	-	-	-	-	377	-	-	(2,692)	4,857	2,165
Transaction with non-controlling interest purchase share of subsidiary	-	-	-	56	-	-	-	56	(375)	(319)
Balance as of 30 June 2016	<u>1,349</u>	<u>1,890,454</u>	<u>(344,989)</u>	<u>(3,328)</u>	<u>377</u>	<u>85,279</u>	<u>(1,418,224)</u>	<u>210,918</u>	<u>233,560</u>	<u>444,478</u>

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

B.S.D CROWN LTD.
INTERIM CONDENSED 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	Reserve from initial translation of the Company financial statements	Accumulated deficit	Total	Non-controlling interests	Total equity
	NIS in thousands								
	Unaudited								
Balance as of 1 January 2015	1,349	1,890,454	(344,989)	(3,644)	84,150	(1,343,992)	283,328	250,444	533,772
Net (loss) income	-	-	-	-	-	(73,027)	(73,027)	(1,011)	(74,038)
Other comprehensive income (loss):									
Remeasurement loss from defined benefit plans	-	-	-	-	-	-	-	33	33
Adjustments arising from initially translation of the Company financial statements	-	-	-	-	647	-	647	-	647
Total comprehensive loss	-	-	-	-	647	(73,027)	(72,380)	(978)	(73,358)
Transaction with non-controlling interest purchase share of subsidiary	-	-	-	(702)	-	-	(702)	(8,049)	(8,751)
Subsidiary's dividends declaration to non-controlling interests	-	-	-	-	-	-	-	(7,670)	(7,670)
Transaction with non-controlling interest purchase share of subsidiary by Company	-	-	-	4,364	-	-	4,364	(4,364)	-
Additional non-controlling interest relating to outstanding share-based payment transaction of subsidiary	-	-	-	(3,821)	-	-	(3,821)	3,821	-
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	(505)	-	-	(505)	505	-
Balance as of 30 June 2015	<u>1,349</u>	<u>1,890,454</u>	<u>(344,989)</u>	<u>(4,308)</u>	<u>84,797</u>	<u>(1,417,019)</u>	<u>210,284</u>	<u>233,709</u>	<u>443,993</u>

B.S.D CROWN LTD.
INTERIM CONDENSED 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	Reserve from initial translation of the Company financial statements	Accumulated deficit	Total	Non- controllin g interests	Total equity
	NIS in thousands								
Balance as of 1 January 2015	1,349	1,890,454	(344,989)	(3,644)	84,150	(1,343,992)	283,328	250,444	533,772
Net (loss) income	-	-	-	-	-	(71,163)	(71,163)	646	(70,517)
Other comprehensive (loss) income:									
Remeasurement loss from defined benefit plans	-	-	-	-	-	-	-	(127)	(127)
Adjustments arising from initial translation of the Company financial statements	-	-	-	-	1,129	-	1,129	-	1,129
Total comprehensive loss	-	-	-	-	1,129	(71,163)	(70,034)	519	(69,515)
Subsidiary's dividends declaration and payment to non-controlling interests	-	-	-	-	-	-	-	(12,874)	(12,874)
Transactions with non-controlling interests purchase shares of subsidiary by Company	-	-	-	8,498	-	-	8,498	(8,498)	-
Additional non-controlling interests relating to outstanding share-based payment transaction of subsidiary	-	-	-	(7,393)	-	-	(7,393)	7,393	-
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	(143)	-	-	(143)	143	-
Transactions with non-controlling interest - purchase shares of subsidiary	-	-	-	(702)	-	-	(702)	(8,049)	(8,751)
Balance as of 31 December 2015	<u>1,349</u>	<u>1,890,454</u>	<u>(344,989)</u>	<u>(3,384)</u>	<u>85,279</u>	<u>(1,415,155)</u>	<u>213,554</u>	<u>229,078</u>	<u>442,632</u>

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

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

	Six months ended		Year ended
	30 June		31 December
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Gain (loss) for the period	1,788	(74,038)	(70,517)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities :			
Reversal of impairment loss (Note 4)	-	(16,472)	(20,333)
Depreciation and amortisation	7,208	6,241	11,206
Goodwill and other intangible assets impairment (Note 5)	-	88,494	88,494
Loss (gain) on disposal of fixed assets	76	(220)	(220)
(Decrease) increase in employee benefit liabilities, net	(191)	(51)	69
Cost of share-based payment, net	-	1,302	843
Change in financial assets at fair value through profit or loss	190	1,282	(538)
Change in investment fund designated at fair value through profit or loss	(172)	(868)	(1,221)
Change in non-current financial assets	205	-	-
Interest income recognized from bank deposits	-	(403)	(774)
Decrease in deferred tax	(1,723)	(2,862)	(5,055)
Current tax expenses	5,351	3,476	5,674
Exchange rate difference on short term deposits	134	613	(242)
Financial expenses (income) from debentures	-	(314)	(482)
Financial expenses on financial liabilities	-	216	283
	<u>11,078</u>	<u>80,434</u>	<u>77,704</u>
Changes in asset and liability items:			
Decrease in inventories	1,451	1,651	14,072
Decrease (increase) in trade receivables	(8,965)	(1,737)	5,309
Decrease (increase) in receivables and prepaid expenses	5,255	4,740	(5,974)
Increase in trade payables, other payables and accrued expenses	3,624	2,072	752
Decrease in liability for non- competition payments	-	-	(5,577)
	<u>1,365</u>	<u>6,726</u>	<u>8,582</u>
Cash paid during the period:			
Interest paid	-	-	(420)
Income taxes paid	(4,734)	(4,584)	(6,162)
	<u>(4,734)</u>	<u>(4,584)</u>	<u>(6,582)</u>
Net cash provided by operating activities	<u>9,497</u>	<u>8,538</u>	<u>9,187</u>

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

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

	Six months ended 30 June	Year ended 31 December
	2016	2015
	Unaudited	Audited
	NIS in thousands	

Cash flows from investing activities:

Recover from foreign bank deposits (Note 4)	-	16,472	20,333
Proceeds from sale of property and equipment	218	561	456
Purchase of property and equipment	(1,675)	(2,246)	(3,139)
Maturing of short-term deposits, net	20,288	80	168
Investment in deposit held in trust	-	(13,219)	(13,018)
Proceeds from sale of financial assets at fair value through profit or loss	62,116	19,848	21,810
Proceeds from sale of investment funds designated in at fair value through profit or loss	10,206	3,946	5,118
Investment in foreign bonds	(8,504)	-	-

Net cash provided by investing activities from continuing operations

	82,649	25,442	31,728
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Cash flows from financing activities:

Repurchase of shares from non-controlling interest by subsidiary	(319)	(8,751)	(8,751)
Repurchase of shares from non-controlling interest of subsidiary by Company	(6,219)	(2,919)	(5,623)
Bank overdraft, net	(15)	4	16
Dividend paid by subsidiary	-	-	(12,874)
Short term loan from past controlling shareholder	244	-	-
Payment to exercise non-controlling interest Put option	-	(23,206)	(23,206)

Net cash used in financing activities from continuing operations

	(6,309)	(34,872)	(50,438)
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Exchange differences on balances of cash and cash equivalents

	(48)	392	595
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Net increase (decrease) in cash and cash equivalents

	85,789	(500)	(8,928)
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Cash and cash equivalents at the beginning of the period

	89,519	98,447	98,447
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Cash and cash equivalents at the end of the period

	175,308	97,947	89,519
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a. Non-cash transactions:

Redemption of debentures by deposit held in trust	-	-	13,018
Purchase of property, plant and equipment on credit	46	-	115
Dividend declaration by subsidiary	-	7,670	-

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

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED 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.

Since 5 May 2017 the Companies are controlled by Mr. Joseph Williger. Pursuant to the GM results held that day (the "Results") all incumbent non- external directors were dismissed from their position and all non- external directors suggested by YWMI were elected. For further information see Note 8(K).

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 alleged fraud by the former controlling shareholders of the Company, as more fully described in Note 4; (b) the impairment of goodwill and intangible assets as detailed in Note 5. Additionally several lawsuits were filed against the Company and its subsidiaries. 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 NIS 287 million (the "Acquisition"). WFI and its subsidiaries are engaged in the import, marketing and distribution of food products, mainly in Israel. The financial statements of WFI and its subsidiaries (the "WFI Group") have been consolidated in these consolidated financial statements.
- 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 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 NIS 22.5 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.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (Cont.)

D. (Cont.)

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 8(L).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial statements for six month periods ended 30 June 2016 have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

b. Functional currency and presentation currency:

1) Change in functional and presentation currency

Until December 31, 2015, the USD constituted the main economic environment in which the Company was active and therefore this currency constituted the Company's functional currency. Starting January 1, 2016, the NIS constitutes its functional currency, for the following reasons: a significant portion of the Company's expenses from this point onward is expected to be in NIS. Furthermore, starting 2016 the Company's budget is in NIS and the currency in which receipts from operating activities are usually held is the NIS.

The functional currency of the Company for the six months ended 30 June 2015 and for the year ended 31 December 2015 was US Dollar. The presentation currency for the six months ended 30 June 2015 and for the year ended 31 December 2015 is NIS. The functional currency of WFI Group is NIS.

In light of the above, starting January 1, 2016, the NIS is constitutes the Company's functional currency, with this change made on a prospective basis. Furthermore, starting from that date the Company changed the presentation currency retrospectively. The accounts of the Company are translated into the NIS functional and presentation currency as follows: all assets and liabilities are translated at the exchange rate prevailing at the statement of financial position date; equity balances are translated at the rates of exchange at the transaction dates, and all items included in the statement of operations are translated using the annual average exchange rates unless there are significant fluctuations in the exchange rate, in which case the rate at the date of transaction is used. All differences arising upon the translation to the functional and presentation currency are recorded in the foreign currency translation reserve within accumulated other comprehensive loss; there is no tax impact of this translation.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Functional currency and presentation currency (Cont.):

2) Exchange rates and the linkage basis:

- a) Balances in foreign currencies or which are linked thereto are included in the financial statements according to the exchange rates published by the Bank of Israel and which were in effect at the end of the reporting period.
- b) Balances linked to the Consumer Price Index are presented in accordance with the last known index at the end of the reporting period (the monthly index preceding the month of the financial statement) or according to the index with respect to the last months of the reporting period (the monthly index for the month in which the date of the financial statement falls), in accordance with the terms of the transaction.
- c) Below are the data on the exchange rate of the dollar and the index:

	<u>Exchange rate</u>	<u>Israeli CPI (*)</u>	
	<u>For the dollar</u> <u>(NIS per \$1 US)</u>	<u>Known</u> <u>index</u> <u>Points</u>	<u>Index with</u> <u>respect to</u> <u>Points</u>
Date of the financial statements:			
For June 30, 2016	3.85	112.48	112.82
For June 30, 2015	3.77	113.39	113.74
For December 31, 2015	3.90	112.93	112.82
Percent change:	<u>%</u>	<u>%</u>	<u>%</u>
For six months period ending			
June 30, 2016	(1.33)	-	-
June 30, 2015	(3.08)	(0.50)	(0.19)
For year ending: December 31, 2015	(3.77)	(0.90)	(1.0)

(*) 2008 basis

c. Income tax:

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. In order to calculate the average annual effective income tax, the company reduces tax losses that no deferred tax assets were recognized in respect to them, and it expects them to reduce the annual current taxable profit.

The major components of income tax expense in the interim condensed statement of profit or loss are: Current income tax expense, Deferred income tax expense relating to origination and reversal of temporary differences except to the extent that the tax arises from transactions which recognized directly in equity and business combinations.

NOTE 3 - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THE ADOPTION

A. IFRS 9, "Financial Instruments":

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

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

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THE ADOPTION (Cont.)

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

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

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

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

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

According to IFRS 9, changes in fair values of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

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

B. 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.

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.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THE ADOPTION (Cont.)

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

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 be presented according to IAS 18. The Company believes the effect on the financial statements of the adoption of IFRS 15 will be immaterial

C. 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, "Leases", 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 4 - IMPAIRMENT (RECOVERY) OF BANK DEPOSITS

The Company adjusted, by way of restatement, the comparative financial information included in its consolidated financial statements, as of and for the six months ended June 30, 2015 in order to retroactively reflect the effects of the events described below on the on measurement of deposits made by the Company and its previous officers in Meinl Bank and the International Bank of Azerbaijan and deposits made in a trust account "Alko R Capta" (together: "Foreign Banks Deposits").

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 (NIS 102.4 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 (NIS 10.9 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 (NIS 113 million). In addition, Meinl has requested from the Company to increase the pledged deposit for an additional amount of EUR 1.1 million (NIS 4.4 million) related to alleged unpaid margins. On June 21, 2017, Meinl seized Meinl Deposit.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 4 - IMPAIRMENT (RECOVERY) OF BANK DEPOSITS (Cont.)

A. Background (Cont.):

1) Deposits held in Meini Bank (Cont.):

The Company denies any and all claims of Meini. The Company has never agreed to use Meini Deposit as collateral or as a guarantee in favor of any third party. Furthermore, the Company possesses certain documents that indicate that the Meini Deposit is held in Meini 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 Meini 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 Meini 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 (NIS 53.2 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 (NIS 11.4 million) from this deposit.

On July 2016, in response to the Company's 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 thousands (NIS 1.9 million). 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 thousands each (NIS 0.96 thousands and NIS 0.94 thousands, respectively) 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 1(A)) ,

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 USD 13.1 million (NIS 49.5 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

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 4 - IMPAIRMENT (RECOVERY) OF BANK DEPOSITS (Cont.)

A. Background (Cont.):

3) Deposits held in Alko trust account:

On 27 August 2014 and 2 October 2014, the Company transferred the amount of USD 703 thousand (NIS 2.5 million) and USD 1.5 million (NIS 5.4 million) 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. 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 June 30, 2015 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 statement of profit or loss the period in which the amounts are recovered.

Consequently, the Company recorded an impairment of the entire balance of Foreign Banks Deposits in the amount of USD 48 million (NIS 163.5 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 in the amount of USD 5.2 million (NIS 20.3 million), as a gain in the statement of profit or loss. The Company also derecognised interest income that had been previously recognised and foreign exchange rate changes previously recognised regarding the Foreign Banks Deposits. The amounts which were recovered and returned to the Company on July and August 2016 were USD 0.5 million (NIS 1.9 million).

The Company has examined the tax implications with respect to the foregoing events, and based on the above opinion of 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 8(D)

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 4 - IMPAIRMENT (RECOVERY) OF BANK DEPOSITS (Cont.)

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

Financial Statements Line Items	As previously reported 30 June	Restatement	As restated 30 June
	2015		2015
NIS in thousands			
Cash and cash equivalents	97,990	(43)	97,947
Short-term deposits	192,342	(172,048)	20,294
Other receivables and prepaid expenses	9,138	(3,505)	5,633
Other accounts payable and deferred revenues	15,482	(415)	15,068
Accumulated deficit	(1,241,838)	(175,181)	(1,417,019)
Total equity	619,174	(175,181)	443,993

Financial Statements Line Items	As previously reported for six month ended 30	Restatement	As restated for six month ended 30
	June 2015		June 2015
NIS in thousands			
Financial income	6,342	13,078	19,420
Income (loss) before taxes on income	(87,562)	13,078	(74,484)
Net (loss) income attributable to Equity holders of the Company	(86,105)	13,078	(73,027)
Total comprehensive (loss) income attributable to Equity holders of the Company	(85,457)	13,078	(72,379)
Net loss per share	(0.77)	0.12	(0.65)

NOTE 5 - IMPAIRMENT IN WFI GOODWILL AND OTHER ASSETS

A. On 30 June 2015, as a result of the triggering events described in subsection (1) and (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 compare to book value as of 30 June 2015 of NIS 280.8 million. As a result, the Company recorded a loss from impairment of value of Food activity in the amount of NIS 89.5 million 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.

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.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 5 - IMPAIRMENT IN WFI GOODWILL AND OTHER ASSETS (Cont.)

A. (Cont.)

- 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; (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 of cash producing unit (*)	Goodwill allocated to the unit	Recognised value impairment	Recoverable value of the unit	The method for measuring recoverable value
NIS in thousands					
Food import, marketing and distribution activity	280,817	87,720	(89,517)	191,300	Discounted Cash Flow (D.C.F)

(*) As of 30 June 2015

B. Main assumptions used in measuring the recoverable amount

- 1) 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.
 - 2) 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 subsection(2) above).
 - 3) Gross profit margin – the significant investment of approximately NIS 8 million in the new logistic center made by WFI and its subsidiaries during the years 2014 -2015 should 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%.
- C. The allocation of the loss from impairment of recoverable value by asset types of the cash producing unit is as follows:

	Impairment during six months ended 30 June 2015
	NIS in thousands
<u>Intangible assets</u>	
Goodwill	87,720
Customer relationships	382
Supplier relationships	200
Brands	100
Non-competition agreements	92
Total impairment for intangible assets	88,494
Property plant and equipment, net	1,023
	89,517
Total impairment	87,720

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - FINANCIAL INSTRUMENTS

Financial instruments that are not measured at fair value:

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

Financial liabilities:

	Carrying amount		Fair value	
	30 June		30 June	
	2016	2015	2016	2015
	Unaudited			
	NIS in thousands			
Debentures and interest payable	-	13,223	-	12,936

Financial assets at fair value:

	30 June 2016		
	Unaudited		
	Level 1	Level 2	Total
	NIS in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	82,576	-	82,576

	30 June 2015		
	Unaudited		
	Level 1	Level 2	Total
	NIS in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	143,063	1,961	145,024
Investment in a fund designated at fair value through profit or loss	-	10,853	10,853
	143,063	12,814	155,877

	31 December 2015		
	Audited		
	Level 1	Level 2	Total
	NIS in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	144,882	-	144,882
Investment in a fund designated at fair value through profit or loss	-	10,034	10,034
	144,882	10,034	154,916

B.S.D CROWN LTD.**NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****NOTE 7 - OPERATING SEGMENTS****A. General:**

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

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

B. Reporting segments:

	Six months ended 30 June	Year ended 31 December
	Unaudited	Audited
	NIS in thousands	
	2016	2015
Revenues		
Import marketing and distribution of food products	159,423	157,598
Other	991	3,244
	<u>160,414</u>	<u>160,842</u>
Segment income (loss)		
Import marketing and distribution of food products	10,334	(88,572)
Other *)	(7,131)	(197)
	<u>3,203</u>	<u>(88,769)</u>
Operating gain (loss)	<u>3,203</u>	<u>(88,769)</u>
Financial income net	<u>1,021</u>	<u>14,285</u>
Income (loss) before taxes	<u>4,224</u>	<u>(69,898)</u>

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

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 7 - OPERATING SEGMENTS (Cont.)

- C. Revenues from major customers that contributed 10% or more to the Company's group (the "Group") revenues (as percentage of the total revenue):

	Six months ended 30 June				Year ended 31 December	
	2016		2015		2015	
	Unaudited				Audited	
	NIS in thousands	%	NIS in thousands	%	NIS in thousands	%
Customer A	25,986	16	25,617	16	57,161	18

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

	Six months ended 30 June				Year ended 31 December	
	2016		2015		2015	
	Unaudited				Audited	
	NIS in thousands	%	NIS in thousands	%	NIS in thousands	%
Canned vegetables	28,260	18	26,359	17	41,161	14
Dairy and dairy substitute products	56,664	36	53,541	34	100,321	33
Dried fruit, nuts and beans	-	(*)	15,409	10	-	(*)
Canned fish	24,197	15	16,907	10.7	-	-

(*) less than 10%

NOTE 8 - SUPPLEMENTARY INFORMATION AND 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.
- 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.

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 (NIS 7.5 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

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

B. (Cont.)

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 8(K).

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 Meinl 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 (NIS 188.5 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.

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NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

- 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 (NIS 226.1 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 4. 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 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 (NIS 18.8 million) from WFINT by misrepresenting himself to the WFINT's officers, telling them that it was an investment in bonds. WFINT transferred USD 2.25 million (NIS 8.5 million) (net of tax), which was pledged to repay a loan received by a private company related to Granovsky and Gurtovoy, and as fully detailed in Note 8(M)(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.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

E. (Cont.)

On 20 July 2016 the Company received 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 8(K).

F. On 30 June 2016 the Company signed a credit agreement ("Credit Agreement") with Gregory Gurtovoy, the former controlling shareholder of the Company, ("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 (NIS 769 thousands). The Company repay the amounts without premium or penalty and will not bear interest and no linkage. On 30 June 2016 and on 7 July 2016, Israel 18 granted a loan to the Company in the aggregate amount of USD 63 thousands and USD 30 thousand respectively (NIS 242 thousands and NIS 116.3 thousands), for current activity.

G. 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.

H. Following information received by IBAR on 1 August 2016 and as detailed in Note 4(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 (NIS 49.4 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 (NIS 49.4 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.

I. 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 Company's financial statements.

J. 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

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

J. (Cont.)

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 YWMI 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.

- K.** 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.

- L.** 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.

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NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

L. (Cont.)

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.

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 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.

M. Supplementary information and Subsequent events in WFI

(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 (NIS 11.3 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 (NIS 11.3 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

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NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

M. Supplementary information and Subsequent events in WFI

(2) (Cont.)

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.

- (4)** Further to Note 8(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 BHWF Ltd., a company wholly owned by WFINT ("BHWF"), under a letter of undertaking to purchase 300 bonds (debentures) of par value USD 10 thousands (NIS 37.7 thousands) 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 BHWF 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 BHWF (the "Response Letter").

Additionally, the issuer claimed that BHWF allegedly undertook to invest in the bonds in three rounds, for a total sum of USD 5 million (NIS 19.2 million), and that the sum of USD 2.75 million (NIS 10.6 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.

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NOTE 8 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

M. Supplementary information and Subsequent events in WFI

(4) (Cont.)

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, Meindl Bank AG.

On June 30, 2016, the issuer paid the first interest payment with respect to the bonds that BHWF actually provided (NIS 8.5 million), in accordance with the bond terms.

On December 30, 2016, BHWF and the issuer executed an agreement for early redemption of the bonds (hereinafter: the "Agreement"), in consideration of USD 1.8 million (NIS 6.8 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 BHWF, including an additional supposed undertaking for an additional investment in the bonds, up to the sum of USD 5 million (NIS 19.2 million).

On March 21, 2017 and July 6, 2017, a payments in the sum of USD 200 thousand (NIS 770 thousands) and USD 400 thousand (NIS 1.4 million), respectively, 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 recognized, in its financial statements for 31 December 2016, a loss in the amount of the debt balance that has not yet been paid.

- (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. Zvi 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. Zvi 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. Zvi 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.

- (7) On October 19, 2017 WFINT announced it received a notice from Arla Foods a.m.b.a ("Arla") to end their 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 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.

- (8) 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 0.7 million.