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This document comprises a prospectus relating to Emblaze Ltd. (the “**Company**”) and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of FSMA and has been filed with the FCA. This document has been made available to the public as required by the Prospectus Rules.

Application has been made to the FCA for all of the Ordinary Shares to be admitted to the standard listing segment of the Official List of the FCA (the “**Official List**”) and to London Stock Exchange plc (the “**London Stock Exchange**”) for such Ordinary Shares to be admitted to trading on its main market for listed securities (together “**Admission**”). Admission to trading on the London Stock Exchange constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that dealings will re-commence in the Ordinary Shares on the London Stock Exchange at 8.00 a.m. on 4 August 2014. No application has been made, or is currently intended to be made, for the Ordinary Shares to be admitted to listing or traded on any other stock exchange.

The Company and its Directors (whose names appear on page 25 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed “Risk Factors” contained on pages 18 to 24 of this document.

All statements regarding the Group’s business, financial position and prospects should be viewed in light of the risk factors set out on pages 18 to 24 of this document.

EMBLAZE LTD.

(incorporated and registered in Israel with registered number 52-004292-0)

Admission to the Official List and to trading on the London Stock Exchange

Financial Adviser

finnCap Ltd

Ordinary Share Capital immediately following Admission

Ordinary Shares of NIS0.01 each

Authorised, issued and fully paid

<i>Number</i>	<i>Amount</i>
140,578,154	NIS1,405,781.54

finnCap, which is authorised and regulated in the United Kingdom by the FCA for the conduct of investment business, is acting exclusively for the Company and no one else in conjunction with the Admission and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of finnCap or for providing advice in relation to Admission or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on finnCap by FSMA or the regulatory regime established thereunder, finnCap does not accept any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or Admission. finnCap accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of such document or any such statement. Admission has given and not withdrawn its consent to the issue of this document with the inclusion of the references to its name in the form and context to which they are included.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such Ordinary Shares by any person in any circumstances in which such offer or solicitation is unlawful. Any person (including without limitation custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the UK should seek appropriate advice before taking any action. The distribution of this document into jurisdictions other than the UK may be restricted by law. Any person not in the UK into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings		
Element		Disclosure requirement
A.1	Introduction	This summary should be read as an introduction to this Prospectus. Any decision to invest in the Shares should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to persons who have tabled this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.
A.2	Consent for intermediaries	Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities in connection with this Prospectus.

Section B – Issuer		
Element		Disclosure requirement
B.1	Legal and Commercial Name	Emblaze Ltd. (the “ Company ” and, together with its direct and indirect subsidiaries, the “ Group ”).
B.2	Domicile/Legal Form/ Legislation/ Country of Incorporation	The Company is a public limited company incorporated and registered in the state of Israel. The principal legislation under which the Company operates is the Israeli Companies Law and all related regulations made thereunder.
B.3	Current Operations/ Principal Activities and Markets	Emblaze is an Israeli company which, until recently, was focused on mobile technology and software. Following a change of control of the Company in August 2013 and the appointment of a new management team, the Company has been seeking new opportunities in various sectors and on 4 May 2014, completed the acquisition of a controlling stake in Willi-Food Investments Ltd. (“ WFI ”), an Israeli food importer (the “ Acquisition ”).

		<p><i>Mobile technology</i></p> <p>Prior to the Acquisition, the Group's business related solely to research and development of technology for advanced wireless and cellular solutions and products and subsequently the exploitation of such technology. Through its subsidiary, EMOZE, the Group continues to provide push email and personal information management synchronization to mobile users globally.</p> <p>The research and development of technology for advanced wireless and cellular solutions and products is a highly competitive market. In particular, the development of the mobile software and information technology industries has seen the entrance to this market of new developers, manufacturers and operating system providers, creating intense competition in a relatively short period of time.</p> <p>In the year ended 31 December 2013, the mobile technology division of the Group generated US\$1.9 million in revenues (2012: US\$2.1 million). In the quarter ended 31 March 2014, the mobile technology division of the Group achieved revenues of US\$28,000 (unaudited) (2013: US\$600,000 (unaudited)).</p> <p>New opportunities for the Group in this market are limited and consequently the new management team decided to pursue a new acquisition strategy in other sectors. The Company is currently considering a number of strategic options in relation to EMOZE, including introducing potential third party investors.</p> <p><i>Willi-Food</i></p> <p>The change in the Company's business strategy outlined above led to it purchasing a controlling stake in WFI in May 2014. Willi-Food operates in the import, marketing and distribution of several hundred food products (mainly in Israel). Willi-Food purchases food products from over 150 suppliers located in Israel and throughout the world. Willi-Food's products are sold predominantly in Israel, to supermarket chains, wholesalers, mini-markets and other customers. Its current operations outside Israel are not material to Willi-Food in comparison to its Israeli operations.</p> <p>Most of Willi-Food's products are marketed under the brand name "Willi-Food", and some of its chilled and frozen products under the brand name "Gold Frost". Certain products are marketed under brand names of other manufacturers or under other brand names.</p> <p>The two largest product lines by sales for the year ended 31 December 2013 were dairy and dairy substitute products (26 per cent.) and canned vegetables (18 per cent.).</p>
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		<p>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.</p> <p>In the year ended 31 December 2013, the WFI Group generated revenues of US\$93.3 million (2012: US\$74.4 million). In the quarter ended 31 March 2014, the WFI Group achieved revenues of US\$27.2 million (unaudited) (2013: US\$24.5 million (unaudited)).</p> <p>Financial assets</p> <p>As at 31 December 2013, the Company's cash, short term deposits and financial assets amounted to US\$159.6 million (2012: US\$144.9 million).</p> <p>As at 31 December 2013, the WFI Group's cash, short term deposits and financial assets amounted to US\$66.9 million (2012: US\$83.1 million).</p>
B.4a	Significant Trends	<p>During the period commencing 1 January 2014 and ending on 28 July 2014 (being the latest practicable date prior to the publication of this document), the Enlarged Group has undergone several events and transactions. A summary of the material events and transactions that have taken place during the period commencing 1 January 2014 and ending on 28 July 2014 (being the latest practicable date prior to the publication of this document) are set out below:</p> <p>Emblaze Group</p> <p>Revenues amounted to US\$28,000 for the period of three months ending 31 March 2014 (Q1.2013: US\$600,000). The balance of cash and cash equivalent, short term investments and deposits in trust, as of 31 March 2014 is US\$138,921,000 (2013: US\$159,617,000).</p> <p>WFI</p> <p>Revenues amounted to NIS 95.1 million for the period of three months ending 31 March 2014 (Q1.2013: NIS 90.7 million) an increase of 4.9 per cent. mainly due to management effort in selling and marketing expenses. The total net income amounted to NIS 11.1 million for the period of three months ending 31 March 2014 (Q1.2013: NIS 15.7 million) a decrease of 29.6 per cent. The decrease is mainly due to operating expenses having been higher than last year and the financial income having been lower. The balance of the net cash and cash equivalents, financial assets carried at fair value through profit or loss and investment in a fund designated at fair value through profit or loss as of 31 March 2014 is NIS 290.9 million (2013: NIS 297.5 million).</p> <p>Other than with regard to completion of the Acquisition, there has been no significant change in the financial or trading position of the Group since 31 March 2014, the date to which the last unaudited interim financial statements of</p>

		the Emblaze Group and the WFI Group were prepared and there have been no changes to known trends, uncertainties, demands, commitments or events relating to the Emblaze Group or the WFI Group which are reasonably likely to have a material effect on the prospects of the Emblaze Group or the WFI Group in this financial year.												
B.5	Description of Issuer's Group	The Company is the principal holding company of the Group. The principal subsidiaries of the Company are Emoze Ltd., Willi-Food Investments Ltd., G. Willi-Food International Ltd., WFD (import, marketing and trading) Ltd. and Gold Frost Ltd.												
B.6	Shareholders	<p>As at 28 July 2014 (being the latest practicable date prior to the date of this document) and as expected to be the case immediately following Admission, the Company is aware of the following Shareholders (other than any Director or member of Senior Management) who by virtue of the notifications made to it pursuant to the Disclosure and Transparency Rules, hold directly or indirectly 3 per cent. or more of the voting rights of the Company:</p> <table> <tr> <th><i>Name</i></th><th><i>Number of Ordinary Shares</i></th><th><i>Percentage of voting rights</i></th></tr> <tr> <td>B.G.I. Investments (1961) Ltd⁽ⁱ⁾</td><td>48,516,478</td><td>44.11</td></tr> <tr> <td>Schroders Plc.</td><td>14,752,397</td><td>13.41</td></tr> <tr> <td>Donald L. Sturm and the Sturm Family Foundation</td><td>9,106,600</td><td>8.28</td></tr> </table> <p>(i) B.G.I. Investments (1961) Ltd. holds voting rights over 48,516,478 Ordinary Shares as follows:</p> <p>(a) BGI has the right to exercise the voting rights over 12,117,043 Ordinary Shares (representing 11.02 per cent. of the voting rights of the Company) which are legally held by BGI;</p> <p>(b) BGI has the right to exercise the voting rights over 15,398,636 Ordinary Shares (representing 14.00 per cent. of the voting rights of the Company) which are legally held by B.G. Alpha Ltd., a wholly owned subsidiary of Niva Finance Ltd. which in turn is a wholly owned subsidiary of BGI;</p> <p>(c) BGI has the right to exercise the voting rights over 6,092,233 Ordinary Shares (representing 5.54 per cent. of the voting rights of the Company) which are legally owned by Israel 18, pursuant to a shareholders' agreement between BGI, BGA and Israel 18;</p> <p>(d) BGI has the right to exercise the voting rights over 4,541,524 Ordinary Shares (representing 4.13 per cent. of the voting rights of the Company) which are legally owned by Fortissimo Capital Management Ltd., in respect of which Fortissimo Capital Management Ltd. has granted a power of attorney to Israel 18, which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18;</p> <p>(e) BGI has the right to exercise the voting rights over 7,741,392 Ordinary Shares (representing 7.04 per cent. of the voting rights of the Company) which are legally owned by Naftali Shani, in respect of which Naftali Shani has granted a power of attorney to Israel 18, which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18; and</p>	<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights</i>	B.G.I. Investments (1961) Ltd ⁽ⁱ⁾	48,516,478	44.11	Schroders Plc.	14,752,397	13.41	Donald L. Sturm and the Sturm Family Foundation	9,106,600	8.28
<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights</i>												
B.G.I. Investments (1961) Ltd ⁽ⁱ⁾	48,516,478	44.11												
Schroders Plc.	14,752,397	13.41												
Donald L. Sturm and the Sturm Family Foundation	9,106,600	8.28												

		<p>(f) BGI has the right to exercise the voting rights over 2,625,650 Ordinary Shares (representing 2.39 per cent. of the voting rights of the Company) which are legally owned by minor shareholders of the Company, in respect of which such shareholders have granted a power of attorney to Israel 18, which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18.</p> <p>Save as set out above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.</p> <p>On 14 August 2013, the Company was notified that BGI Investments (1961) Ltd. had acquired and granted:</p> <ul style="list-style-type: none"> • either directly or through a wholly-owned subsidiary of BGI, 20.01 per cent. of the total issued and outstanding Ordinary Shares (excluding treasury shares) ("Issued Shares"); and • put and call options in respect of a further 19.09 per cent. of the Issued Shares. BGI has since assigned all of such options to Israel 18 B.V. (formerly Chabad 770 B.V.) <p>Pursuant to a tender offer made on 24 December 2013, BGI acquired a further 5.00 per cent. of the Issued Shares from accepting Shareholders.</p> <p>BGI is an Israeli public company admitted to trading on TASE. It was incorporated in Israel on 3 May 1961. It is a holding company which seeks to make investments that meet its investment criteria.</p> <p>In August 2012, Alexander Granovskyy, a Ukrainian citizen acquired a controlling interest in BGI. He is considered to be the ultimate controlling shareholder of BGI. BGI has been seeking investments since Mr Granovskyy acquired his interest in August 2012.</p> <p>At the time of their appointment on 15 August 2013:</p> <ul style="list-style-type: none"> • Abraham Wolff (Chairman) was a director of BGI (although he is no longer); and • Israel Jossef Schneerson (CEO and Vice Chairman) and Chanoch Winderboim (Non-Executive Director) were, and remain, directors of BGI. <p>The persons referred to above do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder of the Company.</p>
B.7	Selected key historical financial information	<p>The tables below set out summary financial information of:</p> <p>(a) the Company as of and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and the three months ended 31 March 2014. This information has been extracted</p>

without material adjustment from the audited consolidated financial statements of the Company as of and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and the unaudited interim consolidated financial statements of the Company as of and for the three months ended 31 March 2014; and

- (b) WFI as of and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and the three months ended 31 March 2014. This information has been extracted without material adjustment from Part 4 of this document and has been prepared on the basis described therein.

The Emblaze Group

	<i>Year ended 31 December</i>			<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	1,207	2,149	1,882	28	600
Gross profit	960	1,624	1,433	0	484
Operating Loss	(3,473)	(3,547)	(7,358)	(1,785)	(726)
Income (loss)					
before tax	4,173	886	(2,815)	(886)	(199)
Net income (loss)					
for the period	4,173	886	(2,815)	(886)	68

	<i>As of 31 December</i>			<i>As of 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current Assets	149,934	147,070	160,375	139,861	146,332
Non-Current Assets	59	67	67	64	63
Total Assets	149,993	147,137	160,442	139,925	146,395
Current Liabilities	7,697	4,609	21,502	1,843	3,823
Non-Current					
Liabilities	21	34	40	41	24
Total Liabilities	7,718	4,643	21,542	1,884	3,847
Total Equity	142,275	142,494	138,900	138,041	142,548

The WFI Group

	<i>Year ended 31 December</i>			<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	73,894	74,387	93,256	27,196	24,459
Gross profit	17,247	17,965	23,236	6,134	5,780
Operating Income	4,642	5,957	7,935	1,754	2,411
Income before tax	824	10,161	17,769	4,213	4,966
Net income for the period	899	8,149	14,995	3,167	4,246

	<i>As of 31 December</i>			<i>As of 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current Assets	100,932	117,421	126,218	130,055	111,084
Non-Current Assets	11,730	11,666	12,327	12,368	12,292
Total Assets	112,662	129,087	138,544	142,423	123,376
Current Liabilities	13,056	23,351	11,834	12,714	12,872
Non-Current Liabilities	10,126	6,945	4,106	4,313	7,112
Total Liabilities	23,182	30,296	15,940	17,027	19,984
Total Equity	89,479	98,791	122,604	125,396	103,392

Pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	<i>For the year ended 31 December 2013</i> <i>(Note 1)</i>	<i>Con-solidation</i> <i>(Note 2)</i>	<i>Fair value adjustments</i> <i>(Note 3)</i>	<i>Adjustments</i>			<i>Adjustments arising from translating financial statements of foreign operation</i> <i>(Note 7)</i>	<i>Pro forma statement of profit or loss and other comprehensive income</i>
				<i>Finance expense and income</i> <i>(Note 4)</i>	<i>Remuner-ation</i> <i>(Note 5)</i>	<i>Transaction costs</i> <i>(Note 6)</i>		
Sales	1,882	93,256	–	–	–	–	–	95,138
Gross profit (loss)	1,433	23,236	(830)	–	–	–	–	23,839
Operating income (loss)	(7,358)	7,935	(1,818)	–	(60)	(150)	–	(1,451)
Net income (loss)	(2,815)	14,995	(1,213)	(3,208)	(60)	(150)	–	7,549
Total other comprehensive income (loss)	(106)	40	–	–	–	–	10,524	10,458
Total comprehensive income (loss)	(2,921)	15,035	(1,213)	(3,208)	(60)	(150)	10,524	18,007

Pro forma statement of profit or loss and other comprehensive income for the three months ended 31 March 2014.

	<i>For the year ended 31 December 2013</i> <i>(Note 1)</i>	<i>Con-solidation</i> <i>(Note 2)</i>	<i>Fair value adjustments</i> <i>(Note 3)</i>	<i>Adjustments</i>			<i>Adjustments arising from translating financial statements of foreign operation</i> <i>(Note 7)</i>	<i>Pro forma statement of profit or loss and other comprehensive income</i>
				<i>Finance expense and income</i> <i>(Note 4)</i>	<i>Remuner-ation</i> <i>(Note 5)</i>	<i>Transaction costs</i> <i>(Note 6)</i>		
Sales	28	27,196	–	–	–	–	–	27,224
Gross profit (loss)	–	6,134	(208)	–	–	–	–	5,926
Operating income (loss)	(1,785)	1,754	(455)	–	(179)	–	–	(665)
Net income (loss)	(886)	3,167	(304)	(546)	(179)	–	–	1,252
Total other comprehensive income (loss)	25	(10)	–	–	–	–	(701)	(686)
Total comprehensive income (loss)	(861)	3,157	(304)	(546)	(179)	(179)	(701)	566

(1) The financial information in respect of the income and expenses of the Group is extracted without material adjustment from the financial statements for the year ended 31 December 2013 and from the financial statements as of 31 March 2014 included in Part 3 of this document.

(2) The financial information in respect of the income and expenses of WFI Group is extracted without material adjustment from the financial statements for the year ended 31 December 2013 and from the financial statements as of 31 March 2014 included in Part 4 of this document.

(3) Fair value adjustments:
Intangible and intangible assets are depreciated and amortized based on their estimated useful life. This is a recurring adjustment.

Deferred tax benefit adjustment arises from the release of the deferred tax liability as the related intangible assets are amortized. This is a recurring adjustment.

The fair value adjustment of the debenture is amortized over the remaining period to its maturity. This is a recurring adjustment.

(4) Finance expense and income adjustments includes finance expenses in the amount of USD 166 thousands for the year ended 31 December, 2013 and an amount of USD 15 thousands for the period of three months ended 31 March, 2014 are due to unwinding of the non-controlling interest put option and liability for non-competition, a decrease in finance income in the amount USD 3,042 liability for year ended 31 December, 2013 and an amount of USD 531 for three months period ended 31 March, 2014 represents the estimated amounts of income the Group generated in each of the periods in respect of the cash used (USD 82,342 thousand) as consideration for the acquisition. This is a recurring adjustment.

(5) Remuneration adjustment:
Remuneration adjustment represents the modification pursuant to the Acquisition agreement of the terms of unvested share options held by the controlling shareholders. The remuneration adjustment is based on the fair value of the modification for the entire vesting period (three years) of the options in the amount of USD 1,408 thousand as calculated by the independent valuation specialist on the date of the Acquisition. The remuneration adjustment for the year ended 31 December 2013 in the amount of USD 60 thousand and the adjustment for three months period ended 31 March 2014 in the amount of USD 179 are calculated for the period the options were outstanding commencing from the date the options were granted in November 2013. This is a recurring adjustment.

(6) Transaction costs of approximately USD 150 thousand that are directly attributable to the Acquisition are recorded as an expense in profit or loss. This is a non-recurring adjustment.

(7) For the year ended 31 December 2013 translation differences arising from the translation of the assets and liabilities of WFI Group from NIS to USD as of the rates of exchange on 1 January 2013 and 31 December 2013 and the translation of the income and expenses of WFI Group from NIS to USD using an average exchange rate for the year ended 31 December 2013.

For the period of three months ended 31 March 2014 translation differences arising from the translation of the assets and liabilities of WFI Group from NIS to USD as of the rates of exchange on 1 January 2014 and 31 March 2014 and the translation of the income and expenses of WFI Group from NIS to USD using an average exchange rate for the three months ended 31 March 2014.

This is a recurring adjustment but the amount will vary depending on the actual rates of exchange.

The unaudited pro forma financial information of the Group is presented to illustrate the effect of the Acquisition on the Group's financial position and results. It has been compiled

		using the Group's consolidated financial statements as of and for the three months ended 31 March 2014 and for the year ended 31 December 2013, adjusted to illustrate the pro forma effect of the Acquisition as if, for the purpose of the pro forma statement of financial position, it had occurred on 31 March 2014 and, for the purpose of the pro forma statements of profit or loss and other comprehensive income, it had occurred on 1 January 2013.
B.9	Profit forecast/estimate	Not applicable. No profit forecast has been included in this Prospectus.
B.10	Audit report – qualifications	Not applicable. The audit report on the audited financial statements of the Company and of WFI as of and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 are not qualified.
B.11	Working capital	Not applicable. In the opinion of the Company the working capital available to the Group is sufficient for the Group's present requirements, that is for the next 12 months following the date of publication of this Prospectus.

Section C – Securities		
Element		Disclosure requirement
C.1	Description of the Offer	<p>The securities to be admitted to listing on the standard listing segment of the Official List and to trading on London Stock Exchange plc's main market for listed securities are ordinary shares of NIS0.01 in the capital of the Company ("Ordinary Shares").</p> <p>The Ordinary Shares are registered with ISIN number IL0010830219.</p>
C.2	Currency of Issue	Following Admission, the price of the Ordinary Shares will continue to be quoted on the London Stock Exchange in pounds sterling.
C.3	Issued Share Capital	As at 28 July 2014 (being the latest practicable date prior to publication of this document), 109,990,252 Ordinary Shares are outstanding and 30,587,902 Ordinary Shares are held in treasury.
C.4	Rights attaching to the Ordinary Shares	<p>The Ordinary Shares rank <i>pari passu</i> in all respects.</p> <ul style="list-style-type: none"> Each Ordinary Share ranks equally for voting purposes. On a show of hands each Shareholder has one vote per Ordinary Share held. Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding-up. Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in case of a capitalisation of reserves.

		Securities issued by non-UK companies, such as the Company, cannot be held or transferred electronically in the CREST system. The Company has established arrangements for the issuance of depositary interests to enable investors to settle interests in the Shares through the CREST system.
C.5	Restrictions on transfer	Not applicable. There are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admission to trading	Application has been made (i) to the UK Listing Authority for all of the Ordinary Shares to be admitted to listing on the standard listing segment of the Official List and (ii) to London Stock Exchange plc for such Ordinary Shares to be re-admitted to trading on its main market for listed securities (together, “ Admission ”). It is expected that Admission will become effective at 8.00 a.m. (London time) on or around 4 August 2014.
C.7	Dividend Policy	The Company does not currently pay dividends to its Shareholders. The Directors will consider a suitable dividend policy, subject to maintaining a level of cash within the business for the further implementation of the Company’s strategy, as and when the Company starts to receive from WFI (and when WFI is permitted to pay) dividends. For so long as any of the Bonds remain unpaid, WFI shall not make any dividend or distribution in excess of one third of the yearly profit after tax of WFI and, in any case, shall not make any dividend or distribution if as a result of such distribution WFI’s equity capital would equal less than 45 per cent. of the sum of its balance sheet. In addition, other than the dividend declared in 2005 and paid in January 2006, WFINT has never declared or paid cash dividends on its ordinary shares. In addition, if significant proceeds are obtained by the Company as a result of any of the claims it has filed in connection with the breach of its intellectual property rights, the Directors will consider whether such proceeds, or any part thereof, should be distributed as dividend.

Section D – Risks		
Element		Disclosure requirement
D.1	Key information on the key risks that are specific to the Issuer or its industry	<p><i>Risks associated with changes in customer and health protection, legal and regulatory frameworks</i></p> <p>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, <i>inter alia</i>, regulations related to stock exchange requirements, customer and health protection, licensing, tariffs, kosher certification and import/export (quota) policies.</p>

		<p>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.</p> <p><i>Risks associated with changes in the global economy and consumer demand</i></p> <p>The Group's businesses are at risk from changes in the global economy and consumer demand for its products.</p> <p>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.</p> <p>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.</p> <p>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 commits to purchase) decreases during that time, the Group's profitability may be materially reduced.</p> <p>The Group's success depends on its ability to anticipate the tastes and eating habits of consumers and to offer products suiting their preferences. Moreover, the Group has to cope with the unpredictability of consumer demand.</p> <p><i>Credit and market risks</i></p> <p>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.</p> <p>A further credit risk to the Group is the risk that customers may default on their payment obligations resulting in a financial loss to the Group. The size of such loss may have an adverse effect of the Group's financial position.</p> <p><i>Foreign exchange risks</i></p> <p>The Group is exposed to fluctuations in the rates of the US Dollar, the Euro and the New Israeli Shekel as against each other.</p>
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		<p><i>Competition risks</i></p> <p>The food distribution industry 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.</p> <p>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.</p> <p>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.</p> <p><i>Political risks</i></p> <p>The Group's businesses are at risk from political and military conditions.</p> <p>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. Israel is currently engaged in an armed conflict with Hamas, a militia group and political party operating in the Gaza Strip. Ongoing or revived hostilities related to Israel may have a material adverse effect on the Group's business.</p> <p>Many of the Group's executive officers and employees in Israel are obligated to perform annual military reserve duty in the Israeli Defense 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.</p> <p><i>Risks associated with legal proceedings</i></p> <p>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 party. The Group is, and may in the future be, subject to litigation in the ordinary course of its operations.</p>
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		<p><i>Risk associated with the availability of key people</i></p> <p>The activities of key people may affect the Group's business. The Group benefits from the activities of certain key people such as Mr Zwi 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.</p> <p><i>Risks associated with business continuity</i></p> <p>The Group 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 or such other event (including in connection with any hostilities referred to above), may have a material adverse impact on the Group's business.</p> <p>The Group 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 Group's ability to source its food products which in turn may affect the Group's financial position and prospects.</p> <p><i>Risks associated with product liability claims for misbranded, adulterated, contaminated or spoiled food products</i></p> <p>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.</p> <p>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.</p> <p><i>Risks associated with the Group's dependence on a limited number of suppliers</i></p> <p>The Group is dependent on a limited number of suppliers in the dairy and dairy substitute sector and terminating the engagement with its main supplier in this sector 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.</p>
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		<p><i>Risks associated with the Group's dependence on key customers</i></p> <p>The Group's two main customers, Shufersal Ltd. and Mega Retail Ltd., represented 19 per cent. and 12 per cent., respectively, of Willi-Food's income for the year ended 31 December 2013. 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.</p>
D.3	Key information on the key risks relating to the Ordinary Shares	<p><i>Trading in Ordinary Shares</i></p> <p>Investors should be aware that the value of Ordinary 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 Ordinary Shares in the public market could depress the market price of the Ordinary Shares.</p> <p>Although the Company has applied for admission of the Ordinary Shares to the Official List and to trading on the Main Market, and it is expected this application will be approved, the Company can give no assurance that the trading market for the Ordinary Shares will be sustained following Admission. If an active trading market is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.</p> <p><i>Dividends</i></p> <p>The ability of the Company to pay a dividend on the Ordinary Shares will depend on, inter alia, the solvency of the Company.</p> <p>For so long as any of the Series D bonds issued by WFI (the "Bonds") remain unpaid, WFI shall not make any dividend or distribution in excess of one third of the yearly profit after tax of WFI and, in any case, shall not make any dividend or distribution if as a result of such distribution WFI's equity capital would equal less than 45 per cent. of the sum of its balance sheet. In addition, other than the dividend declared in 2005 and paid in January 2006, WFINT has never declared or paid cash dividends on its ordinary shares. As such, there can be no guarantee as to the amount of any dividend or distribution ultimately received by the Company and therefore available for distribution to Shareholders.</p> <p><i>Net asset value</i></p> <p>There is no guarantee that the market price of the Ordinary 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 Ordinary Shares will, amongst other factors, be influenced by the market price of the Ordinary Shares and the supply and demand for the Ordinary Shares in the market.</p>

Section E – Offer		
Element		Disclosure requirement
E.1	Net Proceeds/Expenses	Not applicable. This Prospectus does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to purchase or to subscribe for, any Ordinary Shares to any person in any jurisdiction. The Company will not receive any proceeds in relation to Admission.
E.2a	Reasons for the offer/ Use of Proceeds	Not applicable. This Prospectus does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to purchase or to subscribe for, any Ordinary Shares to any person in any jurisdiction. The Company will not receive any proceeds in relation to Admission.
E.3	Terms and Conditions of the Offer	Not applicable. This Prospectus does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to purchase or to subscribe for, any Ordinary Shares to any person in any jurisdiction.
E.4	Material Interests	Not applicable. There are no interests known to the Company that are material to Admission or which are conflicting interests.
E.5	Selling Shareholder/ Lock up Arrangement	No Shares are being sold by any shareholder of the Company pursuant to Admission.
E.6	Dilution	Not applicable. This Prospectus does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to purchase or to subscribe for, any Shares to any person in any jurisdiction.
E.7	Estimated expenses charged to investor	Not applicable. No expenses relating to Admission will be charged to investors by the Company.

RISK FACTORS

An investment in the Company involves significant risks and is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the whole amount invested) which may result from such an investment. Accordingly, prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If in any doubt, prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this document headed “Summary” are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed “Summary” but also, among other things, the risks and uncertainties described below.

If any of the following risks actually occur, the Company’s business, financial condition, capital resources, results and/or future operations could be materially and adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and investors may lose all or part of their investment. All of the risks of which Directors are aware as at the date of this document relating to the Group, its industry and Admission, and which they consider material, are set out below. However, the risks below are not the only risks to which the Company may be subject. Additional risks and uncertainties not currently known to the Directors, or which they may believe to be immaterial, may later prove to be material or otherwise have an adverse effect on the Company’s business.

RISKS RELATING TO THE GROUP

1. External risks

The Group is 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 levels of tariffs on 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 includes utilising cash and cash equivalents, short-term deposits and marketable securities (debentures) held in several Israeli and international financial institutions. The Group's policy is to spread its cash investments among various financial institutions whilst maintaining sufficient cash on deposit to meet its ongoing working capital requirements. Pursuant to the Group's treasury policies, assessments are made on an ongoing basis regarding the relative credit strength of the various financial institutions in which the Group's cash is deposited. However, there can be no certainty of the ongoing solvency of any such financial institutions and in the event that any such a financial institutions became insolvent, this may have a material impact on the financial strength of the Group.

With regard to investing cash reserves, the Group holds a portfolio of marketable securities traded on 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 resulting in a financial loss to the Group. Such loss may have an adverse effect of the Group's financial position.

1.4 ***Foreign exchange risks***

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

1.5 ***Competition risks***

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

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

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

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

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

1.6 ***Risks associated with new Israeli anti-concentration legislation***

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

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

1.7 ***Risks associated with the protection of intellectual property rights***

The Group seeks to maintain the efficient protection of its intellectual property rights so as to maintain the respective competitive position of its members. Although the Group has registered trade marks 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 trade marks will afford or that the Group's competitors will not infringe the Group's rights.

1.8 ***Political risks***

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

The principal companies of the Group are incorporated under the laws of the State of Israel, its principal offices are located in Israel and some of the Group's officers, employees and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel have a direct influence on the Group. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbours. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could materially

and adversely affect the Group's operations. Israel is currently engaged in an armed conflict with Hamas, a militia group and political party operating in the Gaza Strip. This conflict has involved missile strikes by Hamas against civilian targets in various parts of Israel and 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 Defense Forces and, in addition, may be called to active duty under emergency circumstances at any time. If the current military conflict continues, or a war arises, these individuals could be required to serve in the military for extended periods of time. The Group's operations could be disrupted by the absence for a significant period of one or more of its executive officers or key employees or a significant number of the Group's other employees due to reserve duty. Any disruption in the Group's operations may have a material adverse effect on the Group's business.

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

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

2. Internal risks

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

2.1 *Risks associated with future acquisitions*

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

2.2 *Risks associated with legal proceedings*

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

2.3 *Risk associated with the availability of key people*

The activities of key people may affect the Group's business. The Group benefits from the activities of certain key people such as Mr Zwi Williger and Mr Joseph Williger. There is no key-man insurance

policy in place for any Group member. The loss of any such person could harm or delay the plans of the Group either whilst management time is directed to finding suitable replacements (who, in any event, may not be available to the Group) or, if not, covering such vacancy until suitable replacements can be found. In either case, this may have a material adverse effect on the future of the Group's business.

2.4 *Risks associated with business continuity*

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

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

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

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

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

A product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals, product recalls, destruction of product inventory, negative publicity and damage to the Group's brands and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against the Group, could result in a loss of confidence in its food products, which could have an adverse effect the Group's brands, its financial performance, reputation and future prospects.

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

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

The Group has a distribution agreement with Arla Foods Amba ("**Arla**"), which supplied 45 per cent. of its dairy and dairy substitute products during 2013. The Group serves as Arla's sole and exclusive agent and distributor in Israel of certain products for a ten-year period from March 2005. There is no guarantee that Arla will agree to renew such agreement or that any renewal will be on terms agreeable to the Group (including as to duration).

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

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

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

The Group's two main customers, Shufersal Ltd. and Mega Retail Ltd., represented 19 per cent. and 12 per cent., respectively, of Willi-Food's income for the year ended 31 December 2013. 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 Ordinary 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 Ordinary Shares in the public market could depress the market price of the Ordinary Shares.

Although the Company has applied for admission of the Ordinary Shares to the Official List and to trading on the Main Market, and it is expected this application will be approved, the Company can give no assurance that the trading market for the Ordinary Shares will be sustained following Admission. If an active trading market is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

3.2 *If the Company is wound up, distributions to holders of the Ordinary Shares will be subordinated to the claims of creditors*

On a return of capital on a winding-up, holders of Ordinary 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 Ordinary 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 Ordinary Shares.

For so long as any of the Series D bonds issued by WFI (the "**Bonds**") remain unpaid, WFI shall not make any dividend or distribution in excess of one third of the yearly profit after tax of WFI and, in

any case, shall not make any dividend or distribution if as a result of such distribution WFI's equity capital would equal less than 45 per cent. of the sum of its balance sheet. In addition, other than the dividend declared in 2005 and paid in January 2006, WFINT has never declared or paid cash dividends on its ordinary shares. As such there can be no guarantee as to the amount of any dividend or distribution ultimately received by the Company and therefore available for distribution to Shareholders.

3.4 *Net asset value*

There is no guarantee that the market price of the Ordinary 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 Ordinary Shares will, amongst other factors, be influenced by the market price of the Ordinary Shares and the supply and demand for the Ordinary Shares in the market. As such, the market value of the Ordinary Shares may vary considerably from the underlying value of the Group's assets.

3.5 *Volatility*

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary 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 Ordinary Shares for the benefit of the holders of Depositary Interests*

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

The City Code on Takeovers and Mergers

The Company is incorporated in Israel and its head office and place of central management is in Israel. Accordingly, transactions in shares of the Company are not subject to the provisions of the UK City Code on Takeovers and Mergers (the "**City Code**") and Shareholders are therefore not afforded the protections of the City Code. Details of the anti-takeover provisions pursuant to the Israeli Companies Law which apply to the Company are set out in paragraph 6 of Part V of this document.

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 Ordinary Shares are governed by the Company's memorandum of association, the Company's articles of association and by Israeli law. In particular, a shareholder of an Israeli company has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his power in the company, including, amongst other things, in voting at the general meeting of shareholders on certain matters. Further details are set out in paragraph 7 of Part V of this document.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Rabbi Abraham Wolff, <i>Chairman</i> Israel Jossef Schneerson, <i>Chief Executive Officer and Vice Chairman</i> Zvi Shur, <i>Independent Non-Executive Director</i> Yossef Schvinger, <i>Independent Non-Executive Director</i> Chanoch Winderboim, <i>Non-Executive Director</i> Keren Arad-Leibovitz, <i>Independent Non-Executive Director</i>
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Further information on the Directors is contained in Part 1 of this document

Company Secretary	Eyal Merdler	
Registered Office	132 Menachem Begin Road Azrieli Center, Triangle Tower (40th floor) Tel Aviv 6702301 Israel	
Financial Adviser	finnCap Ltd. 60 New Broad Street, London EC2M 1JJ	
UK Solicitors to the Company	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA	
Israeli lawyers to the Company	Shimonov & Co. Advocates Rogovin Tidhar Tower, 23rd Floor 11 Menachem Begin Rd Ramat Gan 52681 Israel	Epstein Rosenblum Maoz (ERM) 111 Arlozorov Street Tel Aviv 6209809 Israel
Reporting Accountant and Auditors	Kost Forer Gabbay & Kaiserer A member of Ernst & Young Global 3 Aminadav Street Tel Aviv 67067 Israel	
Registrars	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT	
Depository	Capita IRG Limited The Registry 34 Beckenham Road Beckenham BR3 4TU	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Prospectus	29 July 2014
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Admission of the Ordinary Shares to the Official List	4 August 2014
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Each of the times and dates is subject to change. Changes to times and dates will be notified via a Regulatory Information Service. References to a time of day are to London time.

FORWARD LOOKING STATEMENTS

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Shareholders should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

ROUNDING

Percentages and certain amounts in this Prospectus, including financial, statistical and operating information, have been rounded to the nearest whole number or single decimal place for ease of presentation. As a result, the figures shown as totals may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Prospectus reflect calculations based on the underlying information prior to rounding, and accordingly may not confirm exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

CONVERSION RATES

The Company publishes its financial statements in US dollars.

The following tables show, for the periods indicated, the exchange rate between the US dollar and the New Israeli Shekel. This information is provided solely for prospective investors' information and the Company does not represent that New Israeli Shekels can be converted into US dollars at these rates or at any other rate, during the periods indicated or at any other time.

Balance Sheet items have been converted using the exchange rate on the last day of the relevant period (as follows):

<i>Period</i>	<i>Exchange rate US\$</i>
31 December 2011	3.821
31 December 2012	3.733
31 March 2013	3.650
31 December 2013	3.471
31 March 2014	3.487

Profit and Loss and any other items have been converted using the average exchange rate on for the relevant period (as follows):

<i>Period</i>	<i>Exchange rate US\$</i>
31 December 2011	3.578
31 December 2012	3.856
31 March 2013	3.708
31 December 2013	3.611
31 March 2014	3.497

PART 1

INFORMATION ON THE GROUP

1. INTRODUCTION

Emblaze is an Israeli public limited company which, until recently, was focused on mobile technology and software. Following a change of control of the Company in August 2013 and the appointment of a new management team, the Company has been seeking new opportunities in various sectors and on 4 May 2014, completed the acquisition of a controlling stake in Willi-Food Investments, a food importer based in Israel.

2. HISTORY AND DEVELOPMENT OF THE GROUP

On 14 August 2013, the BGI Group acquired 20.01 per cent. of the total issued and outstanding Ordinary Shares (excluding dormant shares) and issued the Put Options and purchased the Call Options in respect of a further 19.09 per cent. of the total issued and outstanding Ordinary Shares (in each case excluding dormant shares). At the same time, the Company's chairman as well as the majority of its board of directors were replaced and a new management team was appointed. During September and October 2013, the BGI Group assigned the Options to its controlling shareholder, Israel 18, which subsequently exercised Call Options in respect of 1.59 per cent. of the Ordinary Shares.

The new management team set about changing the Company's business strategy and sought to use the Company's resources to pursue business opportunities in various sectors. These plans included the Company's consortium bid to acquire a controlling stake in IDB, one of Israel's largest and diverse holding companies in a competitive bid process run by the District Court of Tel Aviv. Ultimately the consortium bid did not gain control of IDB and the consortium was disbanded. During this time, on 28 November 2013, the Company transferred its listing from the Premium Segment to the Standard Segment of the Official List of the UK Listing Authority.

On 28 January 2014, the BGI Group successfully completed a tender offer to the Company's shareholders, acquiring 5 per cent. of the voting rights in the Company from accepting Shareholders. Following completion of the tender offer and the subsequent exercise of the Call Options and the entry into the Shareholders' Agreement between BGI, BGA and Israel 18, the Extended BGI Group currently owns, or controls the voting rights in relation to, Ordinary Shares representing approximately 44.1 per cent. of the total issued and outstanding Ordinary Shares (excluding dormant shares).

On 2 March 2014, the Company signed a conditional agreement to acquire from Mr Zwi Williger and Mr Joseph Williger a controlling stake in WFI for NIS 268 million (approximately US\$76.6 million). In addition, the Company was required to make a tender offer to holders of WFI's ordinary shares to acquire five per cent. of the voting rights in WFI. The total aggregate consideration paid under the Acquisition and the tender offer was NIS284.7 million (approximately US\$81.4 million).

WFI, a food importer based in Israel, is listed on TASE and in turn it owns a controlling stake in WFINT, an Israeli company listed on NASDAQ and the principal operating company within the WFI Group. Following completion of the Acquisition on 4 May 2014, the Company owns ordinary shares representing approximately 62.21 per cent. of WFI's fully diluted issued share capital (excluding dormant shares). WFI in turn owns 56.31 per cent. of WFINT's fully diluted issued share capital (excluding dormant shares). As such, Emblaze indirectly owns approximately 35 per cent. of WFINT's fully diluted issued share capital. Under the WFI Agreement, the Company also 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 Acquisition constituted a reverse takeover under the Listing Rules and trading in the Ordinary Shares was accordingly suspended on 3 March 2014. Such suspension is expected to be lifted upon Admission.

3. BUSINESS OVERVIEW

Mobile technology

Prior to the Acquisition, the Group's business related solely to research and development of technology for advanced wireless and cellular solutions and products and subsequently the exploitation of such technology. Through its subsidiary EMOZE, the Group continues to provide push email and personal information management synchronization to mobile users globally.

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

In the year ended 31 December 2013, the mobile technology division of the Group generated US\$1.9 million in revenues (2012: US\$2.1 million). In the quarter ended 31 March 2014, the mobile technology division of the Group achieved revenues of US\$28,000 (unaudited) (2013: US\$600,000 (unaudited)).

New opportunities for the Group in this market are limited and consequently the new management team decided to pursue a new acquisition strategy in other sectors. The Company is currently considering a number of strategic options in relation to EMOZE, including introducing potential third party investors.

Willi-Food

The change in the Company's business strategy outlined above led to it purchasing a controlling stake in WFI in May 2014. Willi-Food operates in the import, marketing and distribution of several hundred food products, mainly in Israel. Willi-Food purchases food products from over 150 suppliers located in Israel and throughout the world. Willi-Food's products are sold predominantly in Israel, to supermarket chains, wholesalers, mini-markets and other customers. Its current operations outside Israel are not material to Willi-Food in comparison to its Israeli operations.

Most of Willi-Food's products are marketed under the brand name "Willi-Food", and some of its chilled and frozen products under the brand name "Gold Frost". Certain products are marketed under brand names of other manufacturers or under other brand names.

The two largest product lines by sales for the year ended 31 December 2013 were dairy and dairy substitute products (26 per cent.) and canned vegetables (18 per cent.).

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.

In the year ended 31 December 2013, the WFI Group generated revenues of US\$93.3 million (2012: US\$74.4 million). In the quarter ended 31 March 2014, the WFI Group achieved revenues of US\$27.2 million (unaudited) (2013: US\$24.5 million (unaudited)).

Financial assets

As at 31 December 2013, the Company's cash, short term deposits and financial assets amounted to US\$159.6 million (2012: US\$144.9 million).

As at 31 December 2013, the WFI Group's cash, short term deposits and financial assets amounted to US\$66.9 million (2012: US\$83.1 million).

Pro-forma

On an unaudited pro forma basis, in the year ended 31 December 2013, the Group generated revenues of US\$95.1 million and at 31 March 2014, the Group's cash, short term deposits and financial assets totalled US\$140.5 million.

4. WILLI-FOOD

Willi-Food product range

The principal products which Willi-Food imports include:

- canned vegetables and pickles which are imported primarily from China, Greece, Thailand, Turkey, India and the Netherlands.
- canned fish which are primarily imported from the Philippines, Thailand, Greece, Germany and Sweden.
- canned fruit which are primarily imported from China, Monaco, the Philippines, Thailand, Greece and Europe.
- edible oils which are primarily imported from Belgium, Turkey, Italy, the Netherlands and Spain.
- dairy and dairy substitute products which are primarily imported from Greece, France, Latvia, Denmark, Germany, Bulgaria, Italy, the United States and the Netherlands.
- dried fruit, nuts and beans which are primarily imported from Greece, Turkey, India, China, Thailand and the United States.

Willi-Food markets the majority of its products under the trade marks “Willi-Food” and “Gold Frost”. The “Willi-Food” trade mark was approved for registration in Israel in May 1997 for certain uses relating to the food industry. In 2001, its validity was extended until 2015. The “Gold-Frost” trade mark was registered in Israel in February 2002 and expires in 2022. Prior to their expiry, Willi-Food expects to obtain further extensions of such marks on payment of a fee to the Israel Patent Office.

Willi-Food’s customer base

Willi-Food’s customers generally fall within one of the two following groups:

- large retail supermarket chains, including Shufersal Ltd., Mega Retail Ltd. and Co-Op Israel; and
- other customers including mini-markets, wholesalers, hotels, hospitals, catering companies and government customers (such as the Israeli Ministry of Defence).

Willi-Food contracts with the large retail supermarket chains through their centralised buying departments. Merchandise is delivered directly to each branch or to the supermarket chain’s own distribution centre.

Willi-Food offers large supermarket retail chains incentives to purchase its products, which are calculated as a fixed percentage of its annual sales to such customer. Other incentives include discounts for sales of Willi-Food’s new products, shelf stocking fees, limited discounts for the opening of new branches that sell Willi-Food’s products and payments for participation in Willi-Food’s product advertisements. These incentives vary among customers and are generally paid at the beginning of each year with respect to the previous year’s sales.

Willi-Food’s terms of business are not subject to any exclusive arrangements or long term contractual agreements giving it flexibility to react to market conditions.

In relation to its other customers, Willi-Food assesses the financial stability of potential customers before agreeing to transact with them. Most of these customers are required to deposit security as collateral. Some of these customers (mainly private supermarket chains and wholesalers) are also offered incentives to purchase Willi-Food products as described above.

5. STRATEGY

Since changes in the Company’s management took effect in 2013, the Company adopted a new strategy to focus on and explore suitable business opportunities in various sectors in which it believes it can create value and thus create successful returns for Shareholders. The Company will continue to consider suitable

businesses or to establish (whether by itself or together with joint venture partners) businesses in which the management of the Company will be actively involved and where the intention would be to hold and build such businesses in the long term. Such opportunities will generally be businesses which:

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

The Company will be involved in the management of such businesses through the appointment of its representatives as directors of these businesses, involvement in the appointment of their key executives and maintaining on-going communication with their management.

The Acquisition falls in line with this strategy and the Board intends to grow the business in the Israeli market whilst seeking to expand its international presence.

New opportunities for the Group in the mobile technology market are limited and consequently the Company is currently considering a number of strategic options in relation to EMOZE, including introducing potential third party investors.

6. SELECTED FINANCIAL INFORMATION

Shareholders should read the whole of this document and should not rely solely on this summary.

6.1 *The Company*

The following information has been extracted without material adjustment from the financial statements of the Company for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 and for the three months ended 31 March 2014, each of which are incorporated by reference into this document (as referred to in page 187 below).

	<i>Year ended 31 December</i>			<i>Three months ended</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>31 March 2014</i>	<i>31 March 2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	1,207	2,149	1,882	28	600
Gross profit	960	1,624	1,433	0	484
Operating Loss	(3,473)	(3,547)	(7,358)	(1,785)	(726)
Income (loss) before tax	4,173	886	(2,815)	(886)	(199)
Net income (loss) for the period	4,173	886	(2,815)	(886)	68

	<i>As of 31 December</i>			<i>As of 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current Assets	149,934	147,070	160,375	139,861	146,332
Non-Current Assets	59	67	67	64	63
Total Assets	149,993	147,137	160,442	139,925	146,395
Current Liabilities	7,697	4,609	21,502	1,843	3,823
Non-Current Liabilities	21	34	40	41	24
Total Liabilities	7,718	4,643	21,542	1,884	3,847
Total Equity	142,275	142,494	138,900	138,041	142,548

6.2 *Willi-Food*

The following information has been extracted without material adjustment from the reports and financial statements of WFI for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 and for the three months ended 31 March 2014, each of which are contained in Part 4 of this document.

	<i>Year ended 31 December</i>			<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	73,894	74,387	93,256	27,196	24,459
Gross profit	17,247	17,965	23,236	6,134	5,780
Operating Income	4,642	5,957	7,935	1,754	2,411
Income before tax	824	10,161	17,769	4,213	4,966
Net income for the period	899	8,149	14,995	3,167	4,246

	<i>As of 31 December</i>			<i>As of 31 March</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current Assets	100,932	117,421	126,218	130,055	111,084
Non-Current Assets	11,730	11,666	12,327	12,368	12,292
Total Assets	112,662	129,087	138,544	142,423	123,376
Current Liabilities	13,056	23,351	11,834	12,714	12,872
Non-Current Liabilities	10,126	6,945	4,106	4,313	7,112
Total Liabilities	23,182	30,296	15,940	17,027	19,984
Total Equity	89,479	98,791	122,604	125,396	103,392

7. CURRENT TRADING AND PROSPECTS

During the period commencing 1 January 2014 to 28 July 2014 (being the latest date practicable prior to the publication of this document) (the “**Relevant Period**”), the Enlarged Group has undergone several events and transactions. A summary of the material events and transactions that have taken place during the Relevant Period are set out below:

Emblaze Group

Revenues amounted to US\$28,000 for the period of three months ending 31 March 2014 (Q1.2013: US\$600,000). The balance of cash and cash equivalent, short term investments and deposits in trust, as of 31 March 2014 is US\$138.9 million (2013: US\$159.6 million).

WFI

Revenues amounted to NIS 95.1 million for the period of three months ending 31 March 2014 (Q1.2013: NIS 90.7 million) an increase of 4.9 per cent. mainly due to management effort in selling and marketing expenses. The total net income amounted to NIS 11.1 million for the period of three months ending 31 March 2014 (Q1.2013: NIS 15.7 million) a decrease of 29.6 per cent. The decrease is mainly due to operating expenses having been higher than last year and the financial income lower. The balance of the net cash and cash equivalents, financial assets carried at fair value through profit or loss, investment in a fund designated at fair value through profit or loss as of 31 March 2014 is NIS 290.9 million (2013: NIS 297.5 million).

Other than with regard to completion of the Acquisition, there has been no significant change in the financial or trading position of the Group since 31 March 2014, the date to which the last unaudited interim financial statements of the Emblaze Group and the WFI Group were prepared and there have been no changes to known trends, uncertainties, demands, commitments or events relating to the Emblaze Group or the WFI Group which are reasonably likely to have a material effect on the prospects of the Emblaze Group or the WFI Group in this financial year.

8. DIVIDEND POLICY

The Company does not currently pay dividends to its Shareholders. The Directors will consider a suitable dividend policy, subject to maintaining a level of cash within the business for the further implementation of the Company's strategy, as and when the Company starts to receive from WFI (and when WFI is permitted to pay) any dividends. For so long as any of the Bonds remain unpaid, WFI shall not make any dividend or distribution in excess of one third of the yearly profit after tax of WFI and, in any case, shall not make any dividend or distribution if as a result of such distribution WFI's equity capital would equal less than 45 per cent. of the sum of its balance sheet. In addition, other than the dividend in 2005 and paid in January 2006, WFINT has never declared or paid cash dividends on its ordinary shares. In addition, if significant proceeds are obtained by the Company as a result of any of the claims it has filed in connection with the breach of its intellectual property rights, the Directors will consider whether such proceeds, or any part thereof, should be distributed as dividend.

9. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Rabbi Abraham Wolff, Chairman (aged 43)

Rabbi Abraham Wolff joined the board of directors on 14 August 2013. In addition, Rabbi Wolff serves as a Rabbi of Odessa and Southern Ukraine and is a director of a number of Odessa's Jewish community institutions.

Israel Jossef Schneorson, Chief Executive Officer and Vice Chairman (aged 47)

Jossef Schneorson joined the board of directors on 14 August 2013. Jossef Schneorson also serves as a board of directors' member and the executive manager of BGI. Following completion of the Acquisition, Mr Schneorson is also a director and Vice Chairman of WFI and WFINT.

Zvi Shur, Independent Non-Executive Director (aged 77)

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

electrical engineering and a Masters of Science industrial and management engineering. Mr Shur serves also as a member of the Audit, Remuneration, Nomination and Financial Statements Committees.

Yossef Schvinger, *Independent Non-Executive Director (aged 53)*

Yossef Schvinger joined the board of directors on 14 August 2013. Prior to joining the Company, Mr Schvinger served as a director of Boymelgreen Capital Limited, an Israeli public company and as a Chief Executive Officer of the company of the development of holy places in Israel, an Israeli governmental company. In the past decade, Mr Schvinger was elected as the Mayor of Mod'in Elit. Prior to serving as a Mayor, Mr Schvinger acted as a member of the administration of the development of Mod'in Elit local council and as a senior adviser of the Chief Executive Officer of the Ministry of Internal Affairs in Israel. Mr Schvinger also serves as a member of the audit, remuneration, nomination and financial balance committees.

Chanoch Winderboim, *Non-Executive Director (aged 67)*

Chanoch Winderboim joined the board of directors on 14 August 2013. Mr Winderboim also serves as a Chairman of the board of directors of BGI and has experience in real-estate transactions. Mr Winderboim holds an LLB from Shaarei Mishpat College and an LLM from Bar-Ilan University. Following completion of the Acquisition, Mr Winderboim is also a director of WFI and WFINT.

Keren Arad-Leibovitz, *Independent Non-Executive Director (aged 43)*

Keren Arad-Leibovitz joined the board of directors on 30 December 2013. Ms Arad-Leibovitz has over 15 years of extensive experience in Israeli and International corporate and commercial law as an attorney admitted to practice in Israel and in the State of New York. Ms Arad-Leibovitz previously served as a director and as a statutory External Director on the boards of two Israeli companies publicly traded in the Tel Aviv Stock Exchange. During this time Ms Arad-Leibovitz was also a member of the audit committees of these companies. In the last seven years Ms Arad-Leibovitz held the position of VP Business Development and head of legal in an Israeli privately held group of companies, whose portfolio included over 20 companies in the fields of Cellular Based Operations, Telecom Products and Services, Real Estate, Tower Management, WiMax and other investments. Markets of activities of the various group companies included the United States, Western and Eastern Europe, South America, Asia, Africa and India. As part of her position, Ms Arad-Leibovitz also served as a director and member of the management team of six Israeli and foreign private companies. As a member of the various boards of directors and management teams, Ms Arad-Leibovitz has participated in and managed various business processes and activities, structured business strategies, reviewed financial reports, analysed marketing and sales plans and structured financing strategies and transactions. Ms Arad-Leibovitz serves also as member of the audit, remuneration, nomination and financial balance committees.

Senior Management

Eyal Merdler, *Chief Financial Officer and Company Secretary of Emblaze (age 35)*

Eyal Merdler has served as the Company's Chief Financial Officer since August 2013 and as company secretary since January 2014. Mr Merdler also serves as Chief Financial Officer and company secretary to BGI.

Mr Merdler holds a Bachelor's degree in Accounting and Business Management and a Master's degree in Business Management, both from The College of Management Academic Studies.

Joseph Williger, *Chairman of WFI and President of WFINT (age 57)*

Joseph Williger has served as a Director of WFINT since its inception in January 1994. He served as Chief Executive Officer of WFINT until September 2011 whereupon he became President of WFINT. Mr Williger has also served as the Chairman of WFINT's subsidiaries: W.F.D. (Import marketing and trading) Ltd. ("W.F.D.") and Gold Frost, since November 1996 and April 2001 respectively. Mr Williger has also served as a director and as chairman of the Board of WFI, the controlling shareholder of WFINT, since December 1992 and June 1994, respectively. Mr Williger has served as Director of Titanic Food Ltd., a company he

owns together with Mr Zwi Williger, since April 1990. Mr Williger attended Bar-Ilan University in Israel and Northridge University in Los Angeles.

Zwi Williger, President of WFI and Chairman of WFINT (age 59)

Zwi Williger has served as Chairman of WFINT since January 1997 and was, before that, director and manager of the marketing development of WFINT. Mr Williger also served as Chief Operating Officer from January 1997 until September 2011. Mr Williger has also served as a director of WFINT's subsidiaries: W.F.D. since November 1996 and Gold Frost since April 2001 until October 2011. In addition, Mr Williger has served as a director of WFI since December 1992 and as a director of Titanic Food Ltd. since April 1990. Mr Williger attended Fresno University in California. Zwi Williger is the brother of Joseph Williger, President and a director of WFINT.

Gil Hochboim, Chief Executive Officer of WFI and WFINT (age 44)

Gil Hochboim served as the chief financial officer of WFI from 2000 until September 2011 when Mr Hochboim became Chief Executive Officer, as Chief Executive Officer of WFINT since February 2012 and as the chief financial officer of Gold Frost Ltd. since April 2001. Between April 1995 and February 1998, Mr Hochboim served as deputy comptroller of Dan Hotels Corp. Ltd. and between March 1998 and August 2000, he served as deputy manager of Ha'menia Goods Transport Corp. Ltd.

Mr Hochboim is a certified public accountant (Israel). He received his Bachelor's degree in Accounting and Business Management from the College of Management, Tel-Aviv, Israel.

Employees

At the date of this document, the Group has 149 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>
WFI Group	136	5	25	39	–	67
Emblaze Group	13	–	1	–	9	3
Total Group	149	5	26	39	9	70

10. Relationship with BGI

On 14 August 2013, the Company was notified that BGI Investments (1961) Ltd. had acquired and granted:

- either directly or through a wholly-owned subsidiary of BGI, 20.01 per cent. of the total issued and outstanding Ordinary Shares (excluding treasury shares) ("Issued Shares"); and
- put and call options in respect of a further 19.09 per cent. of the Issued Shares. BGI has since assigned all of such options to Israel 18 B.V. (formerly Chabad 770 B.V.)

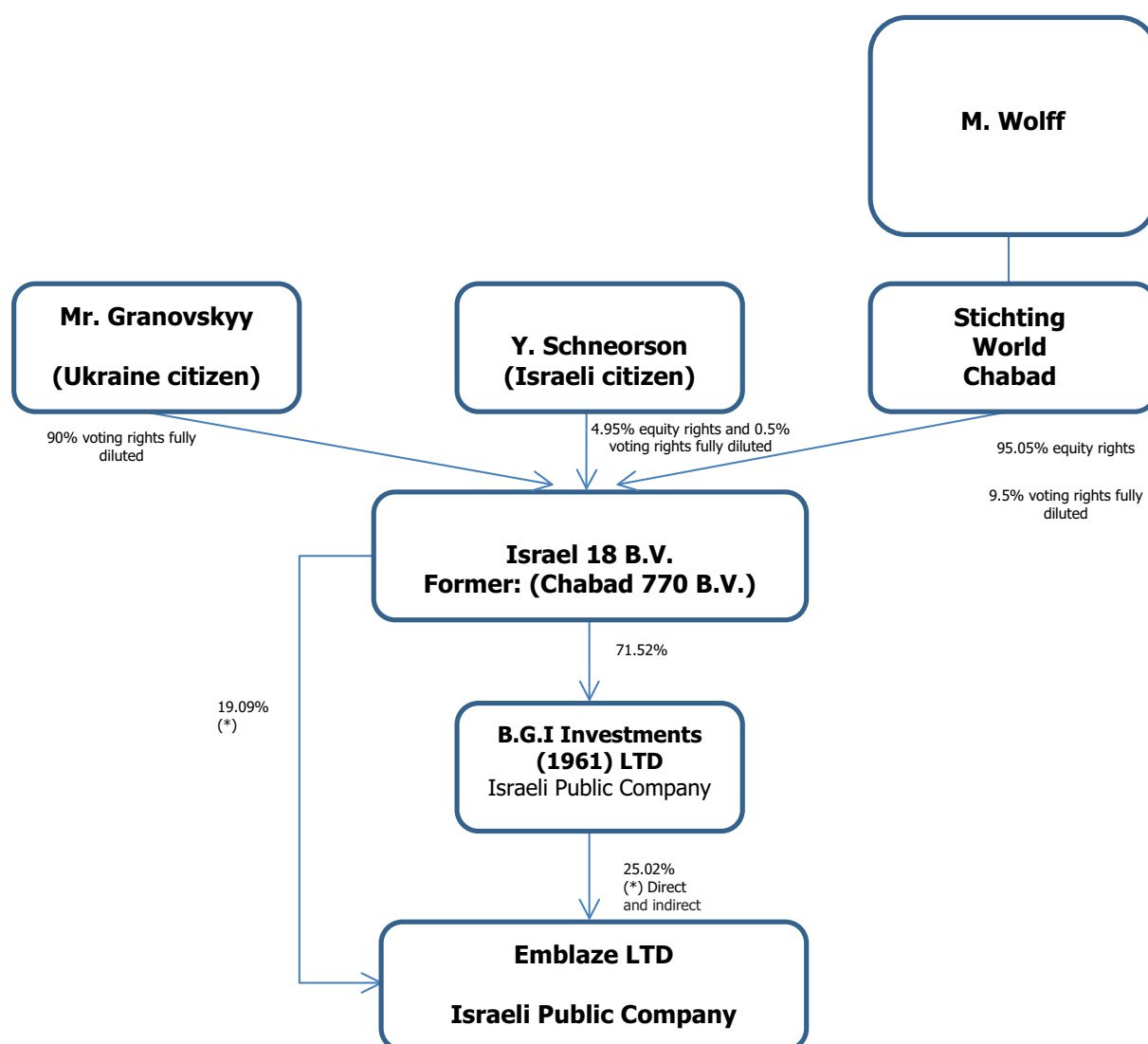
Pursuant to a tender offer made on 24 December 2013, BGI acquired a further 5.00 per cent. of the Issued Shares from accepting Shareholders.

BGI is an Israeli public company admitted to trading on TASE. It was incorporated in Israel on 3 May 1961. It is a holding company which seeks to make investments that meet its investment criteria.

Until 2011, BGI had two main areas of focus, financing and textiles, and was the controlling shareholder of BAGIR Group Ltd., a leading Israeli fashion company. In July 2013 BGI sold all its major operations and became a cash shell.

BGI structure

A structure chart showing the chain of interests is set out below.



BGI holds voting rights over 44.11 per cent. of the issued Ordinary Shares as follows:

- BGI has the right to exercise the voting rights over 12,117,043 Ordinary Shares (representing 11.02 per cent. of the voting rights of the Company) which are legally held by BGI;
- BGI has the right to exercise the voting rights over 15,398,636 Ordinary Shares (representing 14.01 per cent. of the voting rights of the company) which are legally held by B.G. Alpha Ltd., a wholly owned subsidiary of Niva Finance Ltd. which in turn is a wholly owned subsidiary BGI;
- BGI has the right to exercise the voting rights over 6,092,233 Ordinary Shares (representing 5.54 per cent. of the voting rights of the company) which are legally owned by Israel 18, pursuant to a shareholders' agreement between BGI, BGA and Israel 18;
- BGI has the right to exercise the voting rights over 4,541,524 Ordinary Shares (representing 4.13 per cent. of the voting rights of the company) (which are legally owned by Fortissimo Capital Management Ltd., in respect of which Fortissimo Capital Management Ltd. has granted a power of attorney to Israel 18), which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18;
- BGI has the right to exercise the voting rights over 7,741,392 Ordinary Shares (representing 7.04 per cent. of the voting rights of the company) (which are legally owned by Naftali Shani, in respect of

which Naftali Shani has granted a power of attorney to Israel 18) which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18; and

- (f) BGI has the right to exercise the voting rights over 2,625,650 Ordinary Shares (representing 2.38 per cent. of the voting rights of the company) (which are legally owned by minor shareholders of the Company, in respect of which such shareholders have granted a power of attorney to Israel 18) which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18.

71.52 per cent. of the share capital and voting rights in BGI are held by Israel 18 (formerly Chabad 770 B.V.), a private Dutch company.

Stichting World Chabad, a Dutch foundation, holds 95.05 per cent. of the equity rights of Israel 18 and Alexander Granovskyy, a Ukrainian citizen, holds 90 per cent. of the voting rights in Israel 18.

Israel Jossef Schneorson, who is the CEO and director of both Emblaze and BGI, holds 4.95 per cent. of the equity rights of Israel 18.

In August 2012, Mr Granovskyy acquired a controlling interest in BGI. He is considered to be the ultimate controlling shareholder of BGI. BGI has been seeking investments since Mr Granovskyy acquired his interest in August 2012.

Board changes

On 15 August 2013 the Company announced the following appointments to the Board (which took effect on 14 August 2013):

- Abraham Wolff (Chairman);
- Israel Jossef Schneorson (CEO and Vice Chairman);
- Amnon Ben-Shay (Non-Executive Director) (Mr Ben-Shay resigned on 13 January 2014);
- Yosef Schvinger (Independent Non-Executive Director); and
- Chanoch Winderboim (Non-Executive Director).

Brief CV's for each of the current directors of the Board are set out in paragraph 9 above. At the time of their appointment:

- Mr Wolff was a director of BGI (although he is no longer); and
- Mr Schneorson and Mr Winderboim were, and remain, directors of BGI.

11. TAXATION

Further information on United Kingdom and Israeli taxation with regard to the Ordinary Shares is set out in Part 7 of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom and Israeli tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom and Israel, you should consult your own independent professional adviser immediately.

12. CREST

An application has been made for the admission of the Ordinary Shares to the Official List and to trading on the Main Market. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 4 August 2014.

The requirements of the Listing Rules provide that the Company must, upon Admission becoming effective, have a facility for the electronic settlement of the Ordinary Shares. The shares of companies incorporated in England (and the shares of companies incorporated in certain other jurisdictions) which are admitted to the

Official List and to trading on the Main Market are settled through CREST, which is an electronic paperless share transfer and settlement system. The CREST system allows shares and other securities (including Depositary Interests) to be held in electronic rather than paper form. However, with limited exceptions, only shares and other securities which are constituted under English law can be settled through the CREST system, regardless of the fact that they may be admitted to the Official List and to trading on the Main Market. As the Company is incorporated in Israel its Ordinary Shares are not eligible to be held through CREST and, accordingly, the Company has in place, via the Depositary, a depositary interest programme which will continue to operate following Admission.

Depositary Interests representing the Ordinary Shares have been issued to the individual Shareholders' CREST account on a one for one basis with the Depositary providing the necessary custodial service. The Depositary Interests are themselves independent securities constituted under English law which are traded and settled within the CREST system in the same way as any other CREST security. Shareholders continue to have the choice of whether to hold their Ordinary Shares in certificated form or in uncertificated form in the form of Depositary Interests. Depositary Interests have the same international security identification number (ISIN) as the underlying Ordinary Shares and do not require a separate listing on the London Stock Exchange. The Depositary Interests were created and issued pursuant to a deed poll (the "**Deed Poll**") entered into by the Registrar, which governs the relationship between the Registrar, as depositary, and the holders of DIs.

The Company's share register, which is kept by the Registrar, shows the Depositary or its nominated custodian as the holder of the Ordinary Shares represented by Depositary Interests but the beneficial interest remains with the Shareholders who will continue to receive all the rights attaching to the Ordinary Shares as they would have if they had themselves been entered on the Company's share register. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates are able to do so. The ISIN number of the Depositary Interests and the underlying Ordinary Shares is IL0010830219.

13. FURTHER INFORMATION

Your attention is drawn to the remaining parts of this document which contain further information on the Company.

PART 2

OPERATING AND FINANCIAL REVIEW

The following operating and financial review should be read in conjunction with the financial information set out in Part 3 and Part 4 of this document and the other financial information relating to the Group included elsewhere in this document or incorporated by reference into this document. This review contains forward-looking statements based on the current expectations and assumptions about the Group's future business. Such statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in the "Risk Factors" section of this document.

The selected financial information discussed in this Part 2 has been extracted without material adjustment from the consolidated financial statements of Emblaze Ltd. and of Willi-Food Investments Ltd. as at, and for the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013, which have been prepared in accordance with IFRS and the interim financial information of Emblaze Ltd. and of Willi-Food Investments Ltd. for the three months ended 31 March 2013 and 31 March 2014.

SECTION A: BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW WITH RESPECT TO THE EMBLAZE GROUP

Company's results for the three financial years ended 31 December 2013

	Year ended 31 December		
	2013	2012	2011
	U.S. dollars in thousands		
	(except earnings (loss) per share)		
Revenues	1,882	2,149	1,207
Cost of sales	449	525	247
Gross profit	1,433	1,624	960
Operating expenses:			
Research and development	1,562	1,751	1,401
Selling and marketing	134	800	599
General and administrative	7,095	2,620	2,433
Total operating expenses	8,791	5,171	4,433
Operating loss	(7,358)	(3,547)	(3,473)
Financial income	5,208	2,460	2,702
Financial expense	(846)	(58)	(459)
Other income	—	2,061	4,114
Income (loss) from continuing operations	(2,996)	916	2,884
Income (loss) from discontinued operations, net	181	(30)	1,289
Net income (loss)	(2,815)	886	4,173
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Gain (loss) from available-for-sale financial assets	(9)	34	(33)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Re-measurement loss from defined benefit plans	(97)	(32)	(42)
Total other comprehensive income (loss)	(106)	2	(75)
Total comprehensive income (loss)	(2,921)	888	4,098
Net income (loss) attributable to:			
Equity holders of the Company	(2,746)	968	4,263
Non- controlling interests	(69)	(82)	(90)
Net income (loss)	(2,815)	886	4,173
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(2,852)	970	4,188
Non- controlling interests	(69)	(82)	(90)
Total comprehensive income (loss)	(2,921)	888	4,098
Basic and diluted net earnings per share attributable to Company's equity holders (in U.S dollars):			
Income (loss) from continuing operations	(0.03)	0.01	0.03
Income from discontinued operations	—	—	0.01
Net earnings (loss) per share	(0.03)	0.01	0.04

Overview and background

Following the Company's change of strategy over the course of the years ended 2011 and 2012, the Company's main objective with respect to its cash portfolio became the preservation of cash value and liquidity by maintaining a conservative cash portfolio policy. Thus, the Company extended the maturity of its deposits in order to deal with the overall decrease of return in short term deposits and to achieve better yields. As a result, the Company reduced its strong cash position as it moved funds into short term deposits. At 31 December 2013, financial assets comprised US\$159.8 million of which US\$140.4 million was held in short term deposits.

At the end of the 2013 financial year, the Company's revenues decreased by US\$0.27 million, or 12 per cent., to US\$1.88 million from US\$2.15 million recorded in the 2012 financial year. The decrease in the Company's revenues in the financial year ended 2013 compared to the financial year ended 2012 was primarily due to a slowdown in the telecommunications industry generally and especially in the sector of feature phones and mid-range wireless devices which EMOZE targets.

The decline in revenues had a corresponding impact on gross profits which declined by the same proportion.

Research and development expenses for the year ended 2013 decreased by 11 per cent. to US\$1.56 million from US\$1.75 million in the financial year ended 2012. The decrease in the Company's research and development expenses during the financial year ended 2013 was primarily due to a slowdown in the Company's revenues. However, EMOZE continued to develop new products based on Emblaze technology. One such product, "Realify", is a new application available for Smartphone devices allowing the user to create his own social TV broadcasting channel on the go. This Application is now available for Smartphone users in the Google play store and the Apple store.

Selling and marketing expenses for the financial year ended 2013 decreased by 83 per cent. to US\$0.13 million, from US\$0.8 million in the financial year ended 2012. The decrease of the expenses related to selling and marketing during the financial year ended 2013, was primarily due to a decision of Emoze Ltd.'s management to cease selling products.

General and administrative expenses for the financial year ended 2013 increased by 170 per cent. to US\$7.09 million, from US\$2.62 million in the financial year ended 2012. The increase of general and administrative expenses were mainly attributed to two factors:

- the Company filed claims against two companies for direct and indirect damages caused by alleged infringement of patents it developed and registered. In 2013, the Company recorded expenses relating to administration of the claims, legal and other advisers in the amount of US\$2.24 million. Some of the Company's commitments relating to the payment of contingent fees in connection with the aforementioned claims depend on the successful outcome of the claims (the contingent fees are expected to amount to a substantial portion of any proceeds received from the claims). Due to the uncertainty regarding the successful outcome, no receivable has been recorded in the financial statements regarding these claims. For more information please see paragraph 14.3 of Part 8; and
- In August 2013, a consortium of investors led by the Company announced its intention to acquire a controlling stake in IDB (the "Proposed Investment"), one of the largest investment holding companies in Israel, in consideration for an aggregate payment of NIS1.58 billion (US\$450 million). During 2013 the Company recorded expenses relating to the Proposed Investment in the amount of US\$1.98 million.

Operating Loss for the financial year ended 2013 increased to US\$7.4 million.

Net financing income in financial year ended 2013 increased by 82 per cent. to US\$4.36 million compared to US\$2.40 million, in the financial year ended 2012.

Financing income in the financial year ended 2013 primarily included interest income on bank deposits and net foreign exchange income reduce by bank fees and charges and capital loss from sales of debentures.

Loss from continuing operations in the financial year ended 2013 increased by US\$3.91 million to US\$3.00 million from a gain of US\$0.92 million in the financial year ended 2012.

Profit from discontinued operations in the financial year ended 2013 increased by US\$0.21 million to US\$0.18 million from a loss of US\$0.03 in the financial year ended 2013.

The profit from discontinued operations in the financial years ended 2013 and 2012 included a decision in June 2010, to cease further investments towards manufacturing of the first ELSE™ mobile device by the Company's subsidiary, ELSE. Accordingly, this activity has been treated as discontinued operations for the period presented. ELSE had income of US\$0.18 million during 2013, a loss of US\$0.03 million during 2012 and a loss of US\$0.32 million during 2011.

Losses in 2013 increased by US\$3.71 million to US\$2.82 million from profits of US\$0.89 million in the financial year ended 2012.

Liquidity and capital resources

The Company's operations are funded through equity and cash flows from operating activities. In general, the Company and its subsidiaries do not utilise bank debt.

For the financial year ended 2013, cash and cash equivalents short term deposits and short-term deposits held in trust, net of short-term loans, trade payables and deferred revenues and accrued expenses increased to US\$138.1 million compared with US\$126.9 million as of 31 December 2012, and for 31 March 2014 was decreased to US\$137.1 million.

During the financial year ended 2013, financial assets at fair value through profit or loss and 'available for sale' financial assets decreased to US\$0.2 million from US\$13.6 million. This decrease resulted from a transfer of 'available for sale' financial assets into cash and cash equivalent short term deposits.

Indebtedness

	<i>As of March 31 2014</i>	<i>2013</i>	<i>December 31 2012</i>	<i>2011</i>
<i>Current Liabilities</i>			<i>U.S. dollars in thousands</i>	
Traded Payables	323	699	268	325
Deferred revenues	24	28	1,211	2,057
Accrued expenses	1,197	1,520	1,729	3,806
Employees and payroll accruals	230	237	758	862
Employee benefit liability	–	45	–	–
Short-term loan ⁽¹⁾	–	18,813	–	–
Other	69	160	643	647
	<u>1,843</u>	<u>21,502</u>	<u>4,609</u>	<u>7,697</u>
<i>Non Current Liabilities</i>				
Employee benefit liabilities	41	40	34	21
Total liabilities	<u>1,884</u>	<u>21,542</u>	<u>4,643</u>	<u>7,718</u>
Total equity	<u>138,041</u>	<u>138,900</u>	<u>142,494</u>	<u>142,275</u>
Total liabilities and equity	<u>139,925</u>	<u>160,442</u>	<u>147,137</u>	<u>149,993</u>

- (1) Balance of US\$18.8 million loan in respect of the unsuccessful acquisition of IDB – The deposit (in NIS), in consideration for the deposit, a subsidiary of the Company was obligated to repay the NIS amount deposited to WFINT with interest at an annual rate of 5 per cent., compounded until the date of repayment, plus linkage to the Israeli Consumer Price Index. In January 2014, the deposit was returned to WFINT and the loan was thereby repaid.

Capital resources

The tables below show the Company's cash and cash equivalents, cash deposits, and financial assets:

	<i>31 March</i>		<i>31 December</i>	
	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>U.S. dollars in thousands</i>			
Cash	1,886	2,955	2,075	13,010
Cash equivalents – deposits	13,309	2	7,258	135,251
Short term deposits:				
In US dollars	41,301	16,165	122,127	130
In NIS	–	77	68	68
Short-term deposits held in trust	82,425	140,418	–	–
Financial assets at fair value				
through profit or loss	–	–	13,360	–
Available for sale financial assets	230	206	215	196
	<u>139,151</u>	<u>159,823</u>	<u>145,103</u>	<u>148,655</u>

Other than a decrease of US\$82.4 million in short-term deposit in trust which deposit was utilised in connection with the Acquisition, there has been no significant change in capital resources since 31 March 2014.

Capitalisation and Indebtedness as of 31 March 2014:

	<i>U.S. dollars in thousands</i>
Total current debt	<u>1,843</u>
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	1,843
Total non-current debt	<u>41</u>
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	41
Shareholder's equity:	
Share capital	416
Legal reserve	469,927
Other reserves	148
Treasury shares	(76,962)
Accumulated deficit	<u>(255,048)</u>
Equity attributable to Company's equity holders	138,481
Non controlling interest	<u>(440)</u>
Total equity	<u>138,041</u>
Total debt and equity	<u>139,925</u>

There has been no significant change in capitalisation and indebtedness since 31 March 2014.

Net Indebtedness in the short term and in the medium long term as of 31 March 2014:

	<i>U.S. dollars in thousands</i>
Cash and cash equivalent	15,195
Short-term deposits	41,301
Short-term deposits held in trust	82,425
Available for sale financial assets	230
Liquidity	139,151
Current financial receivable	710
Current financial debt	1,843
Net-current financial assets (indebtedness)	138,018
Other non-current liabilities	41
Net financial assets (indebtedness)	137,977

Other than a decrease of US\$82.4 million in short-term deposit held in trust which deposit was utilised in connection with the Acquisition, there has been no significant change in net financial assets since 31 March 2014.

Cash flow from operating activities

For the financial year ended 2013, the Company generated a negative cash flow from continuing operating activities of US\$6.4 million, compared to negative cash flow of US\$2.8 million in the financial year ended 2012, primarily as a result of increase in the Company's losses and a decrease in trade payables.

Cash flow from investing activities

During the financial year ended 2013, the Company generated cash flow of US\$0.8 million from continuing investment activities, compared to negative cash flows of US\$135 million utilised in the financial year ended 2012, primarily due to the sale of marketable securities and investment in deposits held in trust because of the Proposed Investment.

Cash flow from financing activities

During the financial year ended 2013, the Company generated negative cash flow of US\$0.7 million for continuing financing activities, mainly due to a repurchase of some of the Company's shares.

The table below summarises the Company's investment activities and financing activity cash flows:

	<i>Year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>U.S. dollars in thousands</i>		
Cash flows from operating activities:			
Net income (loss)	(2,815)	886	4,173
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities	3,632	(3,636)	(259)
Net cash provided by (used in) operating activities	(6,447)	(2,750)	3,914

	<i>Year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>U.S. dollars in thousands</i>		
Cash flows from investing activities:			
Purchase of property and equipment	(31)	(38)	(48)
Maturing of (investment in) short-term deposits, net	105,953	(122,000)	222
Investment in deposit held in trust	(118,253)	–	–
Purchase of financial assets at fair value through profit or loss	(13,352)	(15,133)	–
Proceeds from sale of financial assets at fair value through profit or loss and available for sale financial assets	26,441	1,713	–
Net cash provided by (used in) investing activities from continuing operations	758	(135,458)	174
Cash flows from financing activities:			
Repurchase of Company shares	(687)	(720)	–
Net cash used in financing activities from continuing operations	(687)	(720)	–
Net decrease in cash and cash equivalents	(6,376)	(138,928)	4,088
Cash and cash equivalents at the beginning of the year	9,333	148,261	144,173
Cash and cash equivalents at the end of the year	2,957	9,333	148,261
Non-cash transactions:			
Deposit of deposit held in trust against short-term loan	18,393	–	–

Prepaid expenses and other receivables

The Company's prepaid expenses and other receivables balances as of 31 December 2013 was US\$0.6 million, compared to the prepaid expenses and other receivables balances as of 31 December 2012 in the amount of US\$2.0 million. The decrease in prepaid expenses and other receivables in the financial year ended 31 December 2013 compared to the financial year ended 31 December 2012 was primarily due to a slowdown in the telecommunications industry generally and especially in the sector of feature phones and mid-range wireless devices that EMOZE targets.

The table below reflects the Company's assets:

	<i>31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>U.S. dollars in thousands</i>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	2,957	9,333	148,261
Short-term deposits	16,242	122,195	198
Short-term deposits held in trust	140,418	–	–
Financial assets at fair value through profit or loss	–	13,360	–
Available for sale financial assets	206	215	196
Prepaid expenses and other receivables	552	1,967	1,279
Total current assets	160,375	147,070	149,934
NON-CURRENT ASSETS:			
Equipment, net	67	67	59
Total assets	160,442	147,137	149,993

SECTION B: BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW WITH RESPECT TO THE WFI GROUP

WFI's results for the three financial years ended 31 December 2013:

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Sales	336,726	286,827	264,399
Cost of sales	252,825	217,554	202,688
Gross profit	83,901	69,273	61,711
Selling expenses	35,373	29,047	27,481
General and administrative expenses	19,927	17,303	17,861
Other income	(54)	(46)	(240)
Total operating expenses	55,246	46,304	45,102
Operating income	28,655	22,969	16,609
Finance income (expenses)	38,825	20,111	(8,522)
Finance expenses	3,318	3,901	5,137
Finance income (expenses), net	35,507	16,210	(13,659)
Income before taxes on income	64,162	39,179	2,950
Taxes on income	10,017	7,757	3,906
Income (loss) from continuing operations	54,145	31,422	(956)
Net income from discontinued operations	–	–	4,173
Income for the year	54,145	31,422	3,217
Attributable to:			
Non-controlling interests	12,559	10,311	8,966
Equity holders of the Company	41,586	21,111	(5,749)
Net income for the year	54,145	31,422	3,217
Other comprehensive income (loss):			
Translation differences for foreign operations	144	52	(148)
Total other comprehensive income (loss)	144	52	(148)
Total comprehensive income for the year	54,289	31,474	3,069
Total comprehensive income (loss) for the year attributable to:			
Equity holders of the Company	41,671	21,141	(5,829)
Non controlling interests	12,618	10,333	8,898
	54,289	31,474	3,069
Earnings (loss) per share (in NIS) attributable to equity holders of the Company:			
Basic earnings (loss) per share:			
From continuing operations	3.32	1.72	(0.82)
From discontinued operation	–	–	0.33
Basic earnings (loss) per share	3.32	1.72	(0.49)
Diluted earnings (loss) per share:			
From continuing operations	3.32	1.72	(0.82)
From discontinued operation	–	–	0.33
Diluted earnings (loss) per share	3.32	1.72	(0.49)

Overview and background

Revenues for the financial year ended 31 December 2013 increased by NIS 49.90 million (US\$18.87 million), to NIS 336.73 million (US\$93.26 million) from NIS 286.83 million (US\$74.4 million) in the financial year ended 31 December 2012.

The increase in revenues in the financial year ended 31 December 2013 compared to the financial year ended 31 December 2012 was primarily due to increased marketing efforts, growing demand from domestic and international customers for WFI's quality kosher products and introduction of new products. In addition, and as a consequence of the national protest in Israel in 2011 against the high cost of living and the cost of food products, WFI gained from a shift in behaviour in Israel, as cost-conscious consumers recognised its products as a viable alternative to higher cost leading brands.

Cost of sales in the financial year ended 31 December 2013 increased by 16.21 per cent. to NIS 252.83 million (US\$70.0 million), from NIS 217.55 million (US\$56.4 million). The increase in cost of sales in the financial year ended 31 December 2013 compared to the financial year ended 31 December 2012 was primary due to the increase in sales.

Gross profit for the financial year ended 31 December 2013 increased to NIS 83.90 million (US\$23.2 million), or 24.9 per cent. of revenues, from NIS 69.27 million (US\$17.96 million), or 24.8 per cent. of revenues recorded in the financial year ended 31 December 2012. The increase in gross profit and gross margins in the financial year ended 31 December 2013 compared to the financial year ended 31 December 2012 was primary due to a favourable mix of product revenue during 2013 as sales of higher gross margin products increased faster than sales of lower gross margin products.

Selling expenses in the financial year ended 31 December 2013 increased to NIS 35.37 million (US\$9.8 million), or 10.5 per cent. of revenues, from NIS 29.05 million (US\$7.5 million), or 10.1 per cent. of revenues in the financial year ended 31 December 2012.

The increase in selling expenses was primarily due to selling promotions activities and due to the increase in the financial year ended 31 December 2013 revenues compared to the financial year ended 31 December 2012.

General and administrative expenses for the financial year ended 31 December 2013 increased by 15.2 per cent. to NIS 19.93 million (US\$5.5 million), or 5.92 per cent. of revenues, from NIS 17.30 million (US\$4.48 million), or 6.03 per cent. of revenues in the financial year ended 31 December 2012.

The increase in general and administrative expenses was mainly attributed to an increase of NIS 1.06 million (US\$0.37 million) in management fee-related bonuses expenses in the financial year ended 31 December 2013 to NIS 4.59 million (US\$1.27 million) recorded in the financial year ended 31 December 2013 from NIS 3.53 million (US\$0.9 million) in the financial year ended 31 December 2012, an increase of NIS0.48 million (US\$0.32 million) in salaries and professional fee expenses in the financial year ended 31 December 2013 to NIS 11.04 million (US\$3.06 million) recorded in the financial year ended 31 December 2013 from NIS10.56 million (US\$2.74 million) in the financial year ended 31 December 2012 and an increase of NIS0.35 million (US\$0.10 million) in bad and doubtful debts expenses in the financial year ended 31 December 2013.

Operating income in the financial year ended 31 December 2013 increased by NIS5.69 million (US\$2.0 million), to NIS 28.66 million (US\$7.9 million), or 8.5 per cent. of revenues, from NIS 22.97 million (US\$5.9 million), or 8.0 per cent. of revenues in the financial year ended 31 December 2012.

Financing income, net, in the financial year ended 31 December 2013 increased by 119 per cent. to NIS 35.51 million (US\$9.8 million) compared to NIS16.21 million (US\$4.2 million), in the financial year ended 31 December 2012.

Financing income in the financial year ended 31 December 2013 primarily included a gain from marketable securities, and interest income from short-term deposits and from marketable debentures held for trading.

Financing expenses in the financial year ended 31 December 2013 primarily included bank fees and foreign currency differences.

Profit before taxes on income in the financial year ended 31 December 2013 increased by NIS 24.98 million (US\$7.6 million), to NIS 64.16 million (US\$17.8 million) from NIS39.18 million (US\$10.2 million) in the financial year ended 31 December 2012.

Taxes on income in the financial year ended 31 December 2013 increased to NIS10.02 million (US\$2.8 million) from NIS7.76 million (US\$2.0 million) in the financial year ended 31 December 2012. The increase in taxes on income in the financial year ended 31 December 2013 compared to the financial year ended 31 December 2012 was attributable to an increase in income before taxes. The tax on the capital gain resulted from the sale of the Company's holding in Shamir Salads in December 2011 is included in the profit from discontinued operations for the financial year ended 31 December 2011.

Profit in the financial year ended 31 December 2013 increased by NIS 22.72 million (US\$6.84 million), to NIS54.15 million (US\$14.99 million), or 16.07 per cent. of revenues, from NIS 31.42 million (US\$8.15 million), or 10.95 per cent. of revenues, in the financial year ended 31 December 2012.

Liquidity and Capital Resources

WFI's operations are funded mainly through equity and cash flows from operating activities and debentures. WFI's bank indebtedness is secured by certain liens on its share capital, goodwill and certain other assets. In general, WFI and its subsidiaries do not utilise bank indebtedness.

As at 31 December 2013, cash and cash equivalents, net of short-term bank debt and current maturities of debentures, increased from NIS 14.3 million (US\$3.8 million) as of 31 December 2012 to NIS 32.8 million (US\$9.5 million) as of 31 December 2013, and for 31 March 2014 was increased to NIS 54.3 million (US\$15.6 million).

During the financial year ended 31 December 2013, marketable securities decreased to NIS 176.9 million (US\$50.9 million) from NIS 248.4 million (US\$66.5 million) as of 31 December 2012.

Indebtedness

	<i>As of 31 March 2014</i>	<i>2013</i>	<i>As of 31 December 2012</i>	<i>2011</i>
	<i>NIS in thousands</i>	<i>NIS in thousands</i>	<i>NIS in thousands</i>	<i>NIS in thousands</i>
CURRENT LIABILITIES:				
Short-term bank debt	2,884	254	33,419	243
Current maturities of debentures	12,819	12,819	12,819	12,586
Trade payable	21,823	20,353	27,444	25,711
Other accounts payable	4,218	5,332	6,306	4,734
Current tax liability	445	440	2,077	3,837
Employees Benefits	2,144	1,879	1,659	1,613
Accruals	–	–	3,446	1,164
Total current liabilities	44,333	41,077	87,170	49,888
NON-CURRENT LIABILITIES:				
Retirement benefit obligation	606	644	581	518
Debentures	12,703	12,681	25,346	38,173
Deferred tax	1,729	926	–	–
Total non-current liabilities	15,038	14,251	25,927	38,691
Total equity	437,257	425,559	368,786	341,901
Total liabilities and equity	496,628	480,887	481,883	430,480

Capital resources

	<i>As of 31 March 2014</i>	<i>2013</i>	<i>As of 31 December 2012</i>	<i>2011</i>
	<i>NIS in thousands</i>	<i>NIS in thousands</i>	<i>NIS in thousands</i>	<i>NIS in thousands</i>
Cash and balances at banks	12,693	12,408	22,127	18,603
Short-term deposits	57,344	33,487	38,404	21,026
Financial assets carried at fair value through profit or loss	205,685	176,976	248,417	238,175
Investment in a fund designated at fair value through profit or loss	15,180	9,349	1,077	1,026
Loan carried at fair value through profit or loss	–	65,300	–	–
Total	290,902	297,520	310,025	278,830

There has been no significant change in capital resources since 31 March 2014.

Capitalisation and Indebtedness as of 31 March 2014:

	<i>NIS in thousands</i>
Total current debt	44,333
Guaranteed	2,884
Secured	–
Unguaranteed/Unsecured	41,449
Total non-current debt (excluding current portion of long-term debt)	15,038
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	15,038
Shareholder's equity:	
Share capital	14,894
Additional paid in capital	131,512
Capital reserve for transactions with non-controlling interests	7,150
Payments on account of options	1,585
Other	402
Retained earnings	129,597
Cost of company's shares held by subsidiary	(2,121)
Total attributable to equity holders of the Company	283,019
Non controlling interests	154,238
Total equity	437,257
Total debt and equity	496,628

Net Indebtedness in the short term and in the medium long term of 31 March 2014;

	<i>NIS in thousands</i>
Cash and Cash equivalent	70,037
Financial assets carried at fair value through profit or loss	205,685
Investment in fund designated at fair value through profit or loss	15,180
Liquidity	290,902
Current financial receivable	109,074
Current bank debt	2,884
Current portion of non-current debt	12,819
Other current financial debt	28,630
Current financial debt	44,333
Net-current financial assets (indebtedness)	355,643
Bonds issued	12,703
Other non-current liabilities	2,335
Non-current financial indebtedness	15,038
Net financial assets (indebtedness)	340,605

There has been no significant change in capitalisation and indebtedness since 31 March 2014.

Cash flow from operating activities

In the financial year ended 31 December 2013, WFI generated a positive cash flow from continuing operating activities of NIS 3.6 million (US\$1.0 million), compared to negative cash flow of NIS 6.0 million (US\$1.6 million) in the financial year ended 31 December 2012, primarily as a result of an increase in WFI's operational profit, in addition to higher collections of amounts due from customers, in the financial year ended 31 December 2013.

Cash flow from investing activities

In the financial year ended 31 December 2013, WFI generated cash flow of NIS 25.5 million (US\$7.1 million) for continuing investing activities, compared to negative cash flow of NIS 2.0 million (US\$0.5 million) generated in the financial year ended 31 December 2012, primarily due to the NIS 65 million (US\$18.7 million) loan WFI made in respect of the unsuccessful acquisition of IDB. Interest on this loan was repaid in January 2014.

Cash flow from financing activities

During the financial year ended 31 December 2013, WFI utilised negative cash flow of NIS 43.7 million (US\$12.1 million) for continuing financing activities, mainly short-term debts to banks, redemption of debentures and convertible debentures and dividends paid to owners of the Company.

During the financial year ended 31 December 2012, WFI generated cash flow of NIS 15.4 million (US\$3.99 million) for continuing financing activities mainly short-term debts from banks.

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Cash flows from operating activities:			
Income (loss) from continuing operations	54,145	31,422	(956)
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities	(50,544)	(37,467)	29,860
Net cash provided by (used in) operating activities	3,601	(6,045)	28,904
Net cash provided by discontinued operating activities	–	–	5,532
Cash flows from investing activities:			
Purchase of property, plant and equipment	(6,080)	(2,243)	(1,643)
Proceeds from sale of property, plant and equipment	29	269	310
Sale (purchase) of financial assets at fair value through profit or loss, net	103,836	(21)	(62,004)
Investment in loan designated at fair value through profit or loss	(65,000)	–	–
Investment in a fund designated at fair value through profit or loss	(6,865)	–	–
Investment in other long-term receivables	(445)	–	–
Net cash generated by (used in) investing activities	25,475	(1,995)	(63,337)
Net cash generated by (used in) discontinued investing activities	–	13,500	(3,394)
Cash flows from financing activities:			
Redemption of debentures and convertible debentures	(13,020)	(13,020)	(31,579)
Overdraft, net	(9,935)	9,946	(392)
Proceeds (repayment) of on-call loans	(23,230)	23,230	–
Dividends paid to owners of the company	(16,904)	(3,500)	(11,700)
Purchase of shares from non-controlling interests in subsidiary	(878)	(6,534)	(10,142)
Proceeds from private placement of shares and options	19,675	–	–
Proceeds from exercise of Company's options	580	5,320	2,348
Proceeds from issue of options held by the Company	–	–	1,724
Net cash provided by (used in) financing activities	(43,712)	15,442	(49,741)
Net cash used in discontinued financing activities	–	–	(982)
Increase (decrease) in cash and cash equivalents	(14,636)	20,902	(83,018)
Cash and cash equivalents at beginning of year	60,531	39,629	122,647
Cash and cash equivalents at end of year	45,895	60,531	39,629

Guarantees and Pledges

Principally in connection with letters of credit issued to WFI, WFI has issued a debenture to each of Bank Leumi Le’Israel Ltd., Bank Mizrahi Tefahot Ltd. and Bank Hapoalim Ltd. WFI has pledged all of its assets (including its outstanding share capital and goodwill of WFINT) in favour of Bank Leumi Le’Israel Ltd., Bank Mizrahi Tefahot Ltd. and Bank Hapoalim Ltd. to secure its obligations or those obligations incurred by WFI jointly with third parties, including obligations with respect to letters of credit with WFI’s suppliers. Bank Leumi Le’Israel Ltd., Bank Mizrahi Tefahot Ltd. and Bank Hapoalim Ltd. have agreed among them that the pledges subject to such debentures will rank *pari passu*. The outstanding amount of such letters of credit as of 31 December 2013 was approximately NIS 13.9 million (US\$4 million).

WFI also guarantees, without limitation as to amount and for an unlimited period of time, the obligations of its wholly-owned subsidiary, W.F.D., to Bank Mizrahi Tefahot Ltd. As of 31 December 2013, W.F.D. had no obligations to Bank Mizrahi Tefahot Ltd.

WFI also guarantees, without limitation as to amount and for an unlimited period of time, the obligations of its subsidiary, Gold Frost, both to Bank Leumi Le'Israel Ltd. and to Bank Mizrahi Tefahot Ltd.

Prepaid expenses and other receivables

WFI's trade receivables balance as of 31 December 2013 was NIS 82.9 million (US\$23.9 million), compared to the trade receivables balance as of 31 December 2012 in the amount of NIS 71.4 million (US\$19.1 million). The average time period within which WFI's accounts receivable were paid was 74 days in 2013, compared to 72 days in 2012.

The table below reflects WFI's assets:

	2013	December 31, 2012	2011
	<i>NIS in thousands</i>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	45,895	60,531	39,629
Financial assets carried at fair value through profit or loss ⁽¹⁾	176,976	248,417	238,175
Trade receivables	82,963	71,374	57,628
Other receivables and prepaid expenses	3,582	7,604	16,590
Investment in a fund designated at fair value through profit or loss	9,349	1,077	1,026
Inventories	54,036	49,331	32,613
Loan carried at fair value through profit or loss	65,300	–	–
Total current assets	438,101	438,334	385,661
NON-CURRENT ASSETS:			
Property, plant and equipment			
Cost	67,323	63,675	61,401
Less-accumulated depreciation	25,811	21,432	18,856
	41,512	42,243	42,545
Prepaid expenses	51	63	117
Goodwill	1,223	1,223	1,223
Deferred tax	–	20	934
Total non-current assets	42,786	43,549	44,819
Total assets	480,887	481,883	430,480
(1) Financial assets carried at fair value through profit or loss			
Non-derivative financial instruments at fair value through profit or loss			
Shares	51,637	53,479	32,756
Government loan and other bonds	120,230	79,877	79,203
Certificate of participation in mutual funds	3,597	115,061	126,216
Financial derivatives	1,512	–	–
	176,976	248,417	238,175

PART 3

HISTORICAL FINANCIAL STATEMENTS ON THE EMBLAZE GROUP

The unaudited interim financial statements of the Emblaze Group for the three months ended 31 March 2014 are incorporated by reference into this document (as referred to on page 186 below).

The audited consolidated financial statements of the Emblaze Group for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011 which were published on 24 April 2014 are incorporated by reference into this document (as referred to on page 187 below).

The audited financial statements for the financial years ended 31 December 2011, 2012 and 2013 were prepared in accordance with IFRS.

PART 4

HISTORICAL FINANCIAL STATEMENTS ON THE WFI GROUP

In this Part 4 only, the following definitions are used:

“Company” means Willi-Food Investments Ltd.

“Group” means Willi-Food Investments Ltd. and its subsidiaries

Section A: Accountant’s report on the Historical financial statements of the WFI Group for the three years ended 31 December 2013



The Directors
Emblaze Ltd.
132 Menachem Begin Road
Azreili Center, Triangle Tower (40th Floor)
Tel Aviv 6702301
Israel

July 29, 2014

Dear Sirs

Willi-Food Investments Ltd. (the ‘Company’)

We report on the financial information set out on pages 58 to 113 for the three years ended 31 December 2013. This financial information has been prepared for inclusion in the prospectus dated 29 July 2014 of Emblaze Ltd. on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with International Standards on Auditing. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the prospectus dated 29 July 2014, a true and fair view of the state of affairs of Willi-Food Investments Ltd. as at 31 December 2013, 31 December 2012 and 31 December 2011 and of its consolidated profits and losses, consolidated comprehensive income, consolidated cash flows and consolidated changes in equity for the three years ended 31 December 2013 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

Brightman Almagor Zohar & Co.

A Member Firm of Deloitte Touche Tohmatsu

Section B: Historical financial statements of the WFI Group for the three years ended 31 December 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		2013	December 31, 2012	2011
	<i>Note</i>		<i>NIS in thousands</i>	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	5a	45,895	60,531	39,629
Financial assets carried at fair value through profit or loss	5b	176,976	248,417	238,175
Trade receivables	5c	82,963	71,374	57,628
Other receivables and prepaid expenses	5d	3,582	7,604	16,590
Investment in a fund designated at fair value through profit or loss		9,349	1,077	1,026
Inventories	5e	54,036	49,331	32,613
Loan carried at fair value through profit or loss	23i	65,300	–	–
Total current assets		<u>438,101</u>	<u>438,334</u>	<u>385,661</u>
NON-CURRENT ASSETS:				
Property, plant and equipment	7			
Cost		67,323	63,675	61,401
Less -accumulated depreciation		<u>25,811</u>	<u>21,432</u>	<u>18,856</u>
		<u>41,512</u>	<u>42,243</u>	<u>42,545</u>
Prepaid expenses		51	63	117
Goodwill	8	1,223	1,223	1,223
Deferred taxes	14a	–	20	934
Total non-current assets		<u>42,786</u>	<u>43,549</u>	<u>44,819</u>
Total assets		<u>480,887</u>	<u>481,883</u>	<u>430,480</u>

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

		2013	December 31, 2012	2011
	<i>Note</i>		<i>NIS in thousands</i>	
EQUITY AND LIABILITIES				
CURRENT LIABILITIES:				
Short-term bank debt	10	254	33,419	243
Current maturities of debentures	12	12,819	12,819	12,586
Trade payable	9a	20,353	27,444	25,711
Other accounts payable	9b	5,332	6,306	4,734
Current tax liability	14d	440	2,077	3,837
Employees Benefits	13a	1,879	1,659	1,613
Accruals	11	–	3,446	1,164
Total current liabilities		<u>41,077</u>	<u>87,170</u>	<u>49,888</u>
NON-CURRENT LIABILITIES:				
Retirement benefit obligation	13a	644	581	518
Debentures	12	12,681	25,346	38,173
Deferred tax	14a	926	–	–
Total non-current liabilities		<u>14,251</u>	<u>25,927</u>	<u>38,691</u>
EQUITY:				
Share capital	16	14,894	14,146	13,622
Additional paid in capital	16	131,512	113,585	106,072
Capital reserve for transactions with non-controlling interests		7,150	7,294	2,463
Payments on account of options		1,585	–	2,645
Foreign currency translation reserve		424	339	309
Retained earnings		121,572	96,890	79,279
Cost of Company's shares held by subsidiary		<u>(2,121)</u>	<u>(2,121)</u>	<u>(2,121)</u>
Total attributable to equity holders of the Company		275,016	230,133	202,269
Non-controlling interests		150,543	138,653	139,632
Total equity		<u>425,559</u>	<u>368,786</u>	<u>341,901</u>
Total liabilities and equity		<u>480,887</u>	<u>481,883</u>	<u>430,480</u>

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		<i>Year ended December 31,</i>		
		<i>2013</i>	<i>2012</i>	<i>2011</i>
		<i>NIS in thousands</i>		
	<i>Note</i>			
Sales	19a	336,726	286,827	264,399
Cost of sales	19b	252,825	217,554	202,688
Gross profit		83,901	69,273	61,711
Selling expenses	19c	35,373	29,047	27,481
General and administrative expenses	19d	19,927	17,303	17,861
Other income		(54)	(46)	(240)
Total operating expenses		55,246	46,304	45,102
Operating income		28,655	22,969	16,609
Finance income (expenses)	20	38,825	20,111	(8,522)
Finance expenses	21	3,318	3,901	5,137
Finance income (expenses), net		35,507	16,210	(13,659)
Income before taxes on income		64,162	39,179	2,950
Taxes on income	14b	10,017	7,757	3,906
Income (loss) from continuing operations		54,145	31,422	(956)
Net income from discontinued operations	25	–	–	4,173
Income for the year		54,145	31,422	3,217
Attributable to:				
Non-controlling interests		12,559	10,311	8,966
Equity holders of the Company		41,586	21,111	(5,749)
Net income for the year		54,145	31,422	3,217
Earnings (loss) per share (in NIS) attributable to equity holders of the Company:				
Basic earnings (loss) per share:				
From continuing operations		3.32	1.72	(0.82)
From discontinued operation		–	–	0.33
Basic earnings (loss) per share		3.32	1.72	(0.49)
Diluted earnings (loss) per share:				
From continuing operations		3.32	1.72	(0.82)
From discontinued operation		–	–	0.33
Diluted earnings (loss) per share		3.32	1.72	(0.49)
Number of shares used in the calculation of basic earnings (loss) per share		12,527,720	12,287,405	11,852,516
Number of shares used in the calculation of diluted earnings (loss) per share		12,535,833	12,303,546	11,867,058

See Note 22, Earnings per share.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Income for the year	54,145	31,422	3,217
Other comprehensive income (loss):			
Translation differences for foreign operations	144	52	(148)
Other comprehensive income (loss) for the year	144	52	(148)
Total comprehensive income for the year	54,289	31,474	3,069
Total comprehensive income (loss) for the year attributable to:			
Equity holders of the Company	41,671	21,141	(5,829)
Non-controlling interests	12,618	10,333	8,898
	54,289	31,474	3,069

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Additional paid in capital	Capital reserve for transactions with non-controlling interests	Payments on account of options	Foreign currency translation reserve NIS in thousands	Retained earnings	Cost of Company's shares held by subsidiary	Total attributable to equity holders of the Company	Non-controlling interests	Total
Year ended December 31, 2013										
Balance as of January 1, 2013	14,146	113,585	7,294	–	339	96,890	(2,121)	230,133	138,653	368,786
Income for the year	–	–	–	–	–	41,586	–	41,586	12,559	54,145
Currency translation differences	–	–	–	–	85	–	–	85	59	144
Total comprehensive income for the year	–	–	–	–	85	41,586	–	41,671	12,618	54,289
Purchase of shares from non-controlling interests in subsidiary	–	–	(144)	–	–	–	–	(144)	(732)	(876)
Issue of shares in the Company's private placement (less issue expenses of NIS 400 thousand)	690	17,400	–	–	–	–	–	18,090	–	18,090
Issue of options	–	–	–	1,585	–	–	–	1,585	–	1,585
Exercise of options into shares	58	522	–	–	–	–	–	580	–	580
Compensation relating to allocation of options to employees	–	5	–	–	–	–	–	5	4	9
Dividend paid	–	–	–	–	–	(16,904)	–	(16,904)	–	(16,904)
Balance as of December 31, 2013	14,894	131,512	7,150	1,585	424	121,572	(2,121)	275,016	150,543	425,559
Year ended December 31, 2012										
Balance as of January 1, 2012	13,622	106,072	2,463	2,645	309	79,279	(2,121)	202,269	139,632	341,901
Income for the year	–	–	–	–	–	21,111	–	21,111	10,311	31,422
Currency translation differences	–	–	–	–	30	–	–	30	22	52
Total comprehensive income for the year	–	–	–	–	30	21,111	–	21,141	10,333	31,474
Purchase of shares from non-controlling interests in subsidiary	–	–	4,831	–	–	–	–	4,831	(11,365)	(6,534)
Expiration of options	–	9	–	(9)	–	–	–	–	–	–
Exercise of options into shares	524	7,432	–	(2,636)	–	–	–	5,320	–	5,320
Compensation relating to allocation of options to employees	–	72	–	–	–	–	–	72	53	125
Dividend paid	–	–	–	–	–	(3,500)	–	(3,500)	–	(3,500)
Balance as of December 31, 2012	14,146	113,585	7,294	–	339	96,890	(2,121)	230,133	138,653	368,786
Year ended December 31, 2011										
Balance as of January 1, 2011	13,398	104,160	921	1,021	389	96,728	(2,121)	214,496	147,630	362,126
Income (loss) for the year	–	–	–	–	–	(5,749)	–	(5,749)	8,966	3,217
Currency translation differences	–	–	–	–	(80)	–	–	(80)	(68)	(148)
Total comprehensive income for the year	–	–	–	–	(80)	(5,749)	–	(5,829)	8,898	3,069
Purchase of shares from non-controlling interests in subsidiary	–	–	–	1,442	–	–	–	1,442	(11,584)	(10,142)
Sale of shares in subsidiary	–	–	–	–	–	–	–	–	(5,755)	(5,755)
Compensation relating to allocation of options to employees	–	110	–	–	–	–	–	110	90	200
Debt forgiveness of holders of subsidiary	–	(353)	–	–	–	–	–	(353)	353	–
Exercise of options into shares	207	1,980	–	–	–	–	–	2,187	–	2,187
Issue of options held by the Company	–	–	1,724	–	–	–	–	1,724	–	1,724
Exercise of employees' options	15	144	–	–	–	–	–	159	–	159
Conversion of convertible debentures	2	31	–	–	–	–	–	33	–	33
Dividend paid	–	–	–	–	–	(11,700)	–	(11,700)	–	(11,700)
Balance as of December 31, 2011	13,622	106,072	2,645	2,463	309	79,279	(2,121)	202,269	139,632	341,901

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Cash flows from operating activities:			
Income (loss) from continuing operations	54,145	31,422	(956)
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities (appendix A)	(50,544)	(37,467)	29,860
Net cash provided by (used in) operating activities	3,601	(6,045)	28,904
Net cash provided by discontinued operating activities	–	–	5,532
Cash flows from investing activities:			
Purchase of property, plant and equipment	(6,080)	(2,243)	(1,643)
Proceeds from sale of property, plant and equipment	29	269	310
Sale (purchase) of financial assets at fair value through profit or loss, net	103,836	(21)	(62,004)
Investment in loan designated at fair value through profit or loss	(65,000)	–	–
Investment in a fund designated at fair value through profit or loss	(6,865)	–	–
Investment in other long-term receivables	(445)	–	–
Net cash generated by (used in) investing activities	25,475	(1,995)	(63,337)
Net cash generated by (used in) discontinued investing activities	–	13,500	(3,394)
Cash flows from financing activities:			
Redemption of debentures and convertible debentures	(13,020)	(13,020)	(31,579)
Overdraft, net	(9,935)	9,946	(392)
Proceeds (repayment) of on-call loans	(23,230)	23,230	–
Dividends paid to owners of the company	(16,904)	(3,500)	(11,700)
Purchase of shares from non-controlling interests in subsidiary	(878)	(6,534)	(10,142)
Proceeds from private placement of shares and options	19,675	–	–
Proceeds from exercise of Company's options	580	5,320	2,348
Proceeds from issue of options held by the Company	–	–	1,724
Net cash provided by (used in) financing activities	(43,712)	15,442	(49,741)
Net cash used in discontinued financing activities	–	–	(982)
Increase (decrease) in cash and cash equivalents	(14,636)	20,902	(83,018)
Cash and cash equivalents at beginning of year	60,531	39,629	122,647
Cash and cash equivalents at end of year	45,895	60,531	39,629

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

Year ended December 31,
2013 2012 2011
NIS in thousands

Appendix A – Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities:

Income and expenses not involving cash flows:

Depreciation and amortization	4,541	3,171	3,506
Revaluation of debentures	355	426	531
Revaluation of loan designated at fair value through profit or loss	(300)	–	–
Change in convertible debentures at fair value through profit or loss	–	–	(39)
Capital gain from sale of property, plant and equipment	(29)	(89)	(240)
Increase (decrease) in employees benefit liabilities	–	63	(135)
Deferred taxes, net	946	913	(239)
Decrease (increase) in value of financial assets at fair value through profit or loss	(32,395)	(10,221)	17,884
Expenses relating to employees' options	–	93	200
Decrease (increase) in value of investment in a fund designated at fair value through profit or loss	(1,407)	(51)	70
	<u>(28,289)</u>	<u>(5,695)</u>	<u>21,538</u>
Changes in asset and liability items:			
Decrease (increase) in inventories	(4,705)	(16,718)	1,707
Decrease (increase) in trade receivables	(11,589)	(13,746)	8,561
Decrease (increase) in other accounts receivable and other current assets	3,406	(3,754)	(5,609)
Decrease in long-term receivables	12	55	–
Increase (decrease) in trade payables	(7,091)	1,733	7,448
Increase (decrease) in other accounts payable and other current liabilities	(2,288)	658	(3,785)
	<u>(22,255)</u>	<u>(31,772)</u>	<u>8,322</u>
	<u>(50,544)</u>	<u>(37,467)</u>	<u>29,860</u>

Additional information:

Interest payments	<u>1,840</u>	<u>2,914</u>	<u>4,496</u>
Tax payments	<u>8,731</u>	<u>5,139</u>	<u>9,471</u>

Appendix B – Significant non-cash transactions:

Investment in property, plant and equipment in consideration of other accounts payable	<u>–</u>	<u>(2,500)</u>	<u>(1,000)</u>
Decrease in property, plant and equipment in consideration of receivable balances and other current assets	<u>–</u>	<u>759</u>	<u>–</u>
Conversion of debentures into shares	<u>–</u>	<u>–</u>	<u>27,239</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL

a. *General description:*

Willi-Food Investments Ltd. ("the Company") was incorporated in Israel. Its offices are located at the northern industrial zone of Yavne, Israel and it is mainly engaged in the import, export and distribution of food products through a subsidiary, G. Willi-Food International Ltd. ("Willi-Food"). During 2012, the Company launched a retail pilot store that used as a focus group for new food products that Willi-Food plans to import.

The Company's securities are listed for trade on the TASE.

b. *Definitions:*

The Group – The Company and its subsidiaries.
As for the list of subsidiaries, see Note 6.

Subsidiary – companies that are directly or indirectly controlled by the Company (as defined in IAS 27) and whose accounts are fully consolidated with those of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a. *Statement of compliance:*

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations thereto, as published by the International Accounting Standards Board (IASB). The significant accounting policies detailed below were applied consistently to all reporting periods presented in these consolidated financial statements, except for changes in accounting policies resulting from the application of standards, amendments to standards and interpretations that became effective as of the date of the financial statements, as detailed in Note 3.

b. The financial statements have been prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010 ("financial statements regulations").

c. *Presentation format of the statement of financial position:*

The Group presents assets and liabilities in the statement of financial position according to current and non-current items. The Company's operating cycle period is 12 months.

d. *Basis of preparation of the financial statements:*

Until December 31, 2003, Israel was considered a country in which hyper-inflation conditions exist. Therefore, non-monetary items in the consolidated statement of financial position that were presented on the cost basis adjusted for the changes in the Israeli CPI through December 31, 2003 and as of that date, the adjusted amounts are used as a reporting basis for periods after December 31, 2003 ("historical cost").

The financial statements have been prepared on the historical cost basis, except: the following assets and liabilities are measured at fair value: financial instruments at fair value through profit or loss, inventories that are presented at the lower of cost and net realizable value, property, plant and equipment and intangible assets that are presented at the lower of cost less accumulated depreciation and the recoverable amount, employee benefit liabilities, as described in Note 2u.

e. *Foreign currency:*

1. *Functional currency and presentation currency*

The financial statements of each individual group entity have been prepared in the currency of the primary economic environment in which the entity operates ("the functional currency"). For the purpose of consolidating the financial statements, the results and financial condition of

each Group entity are expressed in NIS which is the Company's functional currency. The Group's consolidated statements of financial position are presented in NIS. As for exchange rates and changes therein during the periods presented, see Note 2(w)(3).

2. *Translation of transactions that are not in the functional currency:*

In preparing the financial statements of each of the Group's entities, transactions in currencies other than the functional currency of that entity ("foreign currency") are recorded at the effective exchange rates on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currency are translated at the effective exchange rate on that date; non-monetary items measured at fair value denominated in foreign currency are translated at the exchange rates at the fair value determination date; non-monetary items at historical cost are translated at the exchange rates in effect at the date of the transaction in respect of the non-monetary item.

3. *The way exchange differences are recorded:*

Exchange differences are recognized in the statement of profit or loss in the period in which they arise except for the following cases:

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and, therefore, they form part of the net investment in foreign operation, that are recognized in equity in the item "foreign currency translation reserve" and recognized in the statement of profit or loss on the disposal of the net investment in foreign operation.

f. *Method for analyzing expenses recognized in profit or loss:*

The Company's expenses in the statement of profit or loss are presented based on the nature of the expense. The Group believes that considering its organizational structure, the classification of expenses in this manner provides information that is reliable and more relevant.

g. *Cash and cash equivalents:*

Cash and cash equivalents include demand deposits and term deposits that are not restricted as to usage and whose maturity date, at the time of investment therein, is less than three months.

Deposits that are restricted as to usage or deposits whose maturity date, at the time of investment therein, is more than three months but less than one year are classified in the item short-term deposits.

h. *Consolidated financial statements:*

1. *General:*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it control. Such facts and circumstances include, but are not limited to potential voting rights held by the Company, other vote holders or other parties and rights arising from other contractual arrangements.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, Income and expenses are eliminated in full on consolidation.

2. *Non-controlling interest:*

The share of non-controlling interests in the net assets (excluding goodwill) of subsidiaries is presented separately in the Group's equity. Non-controlling interests consist of the amount of the equity at the date of the business combination and the proportion of the non-controlling interests in the changes in the subsidiary's equity after the date of the business combination. Losses of subsidiaries that are attributable to non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are assigned to non-controlling interests regardless of the obligations and ability of these holders of interests to make additional investments in the subsidiary.

In transactions with non-controlling interest shareholders, in the context of which the Company retains control before and after the transaction, are treated as capital transactions.

In transactions with non-controlling interests whose essence is acquisition of an additional share of the subsidiary, after the date the control was achieved, the excess of acquisition cost over the carrying amount of the non-controlling interests at the date of acquisition is carried to equity attributable to equity holders of the parent.

3. *Loss of control:*

If control of a subsidiary is lost, the Company recognizes a gain or loss in the amount of the difference between the aggregate of the consideration received and the fair value of any investment retained in the former subsidiary and the carrying amounts of the assets, liabilities and non-controlling interests in the former subsidiary. Any investment remaining after loss of control is recognized at its fair value as of such date.

As for the issue of IFRS 10, "Consolidated Financial Statements", see Note 3a.

i. *Goodwill:*

Goodwill arising on the acquisition of a subsidiary is carried at the excess of acquisition cost with the addition of fair value of non-controlling interests over the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

j. *Discontinued operations:*

Operations that have been disposed of constitute discontinued operations if they represent a separate major line of business or geographical area of operations or are part of a single coordinated plan to dispose a separate major line of business or geographical area of operations. Income and expenses relating to discontinued operations are presented in the consolidated statements of profit or loss less taxes on income in all periods presented in the item "net income (loss) from discontinued operations". Cash flows from discontinued operations are presented together in the statement of cash flows for all reporting periods classified by operating activities, investing activities and financing activities.

k. ***Property, plant and equipment:***

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services or for rental to others and that are expected to be used during more than one period. The Company presents its items of property, plant and equipment at the cost model. Items of property, plant and equipment are presented in the statement of financial position at cost, less of accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Each 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. The depreciation is assigned on a systematic basis using the straight-line method over the expected useful life of the components of the item from the date on which the asset is ready for its intended use while taking into account the expected residual value at the end of the useful life.

The depreciation and amortization rates are as follows:

	<i>Useful life</i>	
	<i>Depreciation rates</i>	<i>Years</i>
Land	2	50
Building	4	25
Motor vehicles	15–20 (mainly 20)	5
Office furniture and equipment	6–15 (mainly 15)	6
Computers	20–33 (mainly 33)	3
Mechanical equipment	10	10

Gain or loss from sale or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and its carrying amount when sold or retired and is recognized in profit or loss.

l. ***Inventories:***

Inventories are assets held for sale in the ordinary course of business, in the production process for such sale or materials to be consumed in the production process or in the rendering of services.

Inventories are presented at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, fixed and variable overheads and any other costs incurred to bring the inventory to its present location and condition.

The net realizable value represents an estimate of the selling price in the ordinary course of business less the estimated cost of completion and the estimated costs to make a sale.

Cost is determined as follows:

Products – using the weighted average method.

m. ***Financial assets:***

1. ***General:***

Financial assets are recognized in the Group's statement of financial position when the Group becomes a party to the contractual conditions of the instrument. Since purchase or sale of an investment are under a contract whose conditions require delivery of investment within the time frame that is the convention in the marketplace, the investment is recognized or derecognized on the trade date (the date on which the Group has undertaken to purchase or sell an asset).

Investments in financial assets are initially recognized at fair value plus transaction costs, except those financial assets that are classified in the category fair value through profit or loss that are initially measured at fair value.

If the fair value estimate of financial assets that are not quoted in an active market includes assumptions that are not supported by observable prices and market rates, the instrument is initially recognized at the transaction price which incorporates deferred gain or loss arising from the difference between the fair value estimate and the consideration paid or received. In subsequent periods, the deferred gain or loss will be carried to the statement of profit or loss/statement of comprehensive income only if changes in inputs which market participants would consider when pricing financial assets have occurred.

Financial assets are classified in the categories detailed below. The classification in these categories depends on the nature and holding purpose of financial asset and it is determined at the time of initial recognition of the financial asset or in subsequent reporting periods if the financial assets can be reclassified into another category:

- Financial assets at fair value through profit or loss; and
- Loans and receivables.

As for the amendment to IFRS 7, “Financial Instruments: Disclosures” (disclosures regarding transfers of financial assets), see Note 3a.

As for the issue of the amendment to IFRS 7, “Financial Instruments: Disclosures” (offsetting financial assets and financial liabilities), see Note 3b.

As for the issue of IFRS 9, “Financial Instruments”, see Note 3b.

As for the issue of IFRS 13, “Fair Value Measurements”, see Note 3a.

2. *Financial assets at fair value through profit or loss:*

Financial assets are classified as “financial assets at fair value through profit or loss” if these assets are either held for trading or are designated as at fair value through profit or loss.

A financial asset is held for trading if:

- It is acquired principally for the purpose of sale in the near term; or
- It is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset at fair value through profit or loss is presented at fair value. Any gain or loss arising on remeasurement, including those deriving from exchange rate fluctuations, is recognized in the statement of profit or loss in the period in which the change occurred. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. As for the way the fair value is determined, see Note 23i.

3. *Loans and receivables:*

Trade receivables, deposits, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

4. *Impairment of financial assets:*

Financial assets, other than those classified as financial assets at fair value through profit or loss, are tested for indicators of impairment at the end of each reporting period. Impairment as above occurs when there is objective evidence that as a result of one or more events that

occurred after the initial recognition date of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial instruments, including receivables for finance lease, indicators of impairment could include:

- Significant financial difficulties of the issuer or the counterparty;
- Default in interest or principal payments;
- The probability that the borrower will enter bankruptcy or financial reorganization.

For certain financial assets, such as trade receivables for which no indicators of impairment have been identified, the Group assesses impairment on a collective basis based on past experience regarding groups of receivables with similar characteristics, change in the number of delayed payments and economic changes attributable to the industry and the economic environment in which they operate.

As for financial assets carried at amortized cost, the impairment is recognized as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at their original effective interest rate.

If in a subsequent period the amount of the impairment loss of a financial asset decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, all or part of the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets except trade receivables, whose carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

n. ***Financial liabilities and equity instruments issued by the Group:***

1. *Classification as a financial liability or equity instrument:*

Non-derivative financial instruments are classified as a financial liability or equity instrument in accordance with the substance of the contractual arrangements.

An equity instrument is any contract that evidences a residual interest in the Group's assets after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received net of expenses that are directly related to the issuance of these instruments.

Financial liabilities are presented and measured based on the following classification:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities

2. *Reciprocal holding of debentures and/or convertible debentures:*

Balances of debentures/convertible debentures which were issued by any of the Group entities and acquired by another Group entity are eliminated in the consolidated financial statements. When a subsidiary acquires debentures, the difference between the carrying amount of the liability component and its acquisition cost is carried as a gain or loss. The difference between

the carrying amount of the equity component and its acquisition cost is recognized as a deduction of equity.

3. *Options to purchase shares of the Company and/or subsidiary:*

Proceeds in respect of issuance of options to purchase Company's shares which grant an option to the holder to purchase a fixed amount of Ordinary shares in consideration of a fixed amount of cash, are presented in equity in the item "payments on account of options".

Options to purchase Company's shares, whose terms have been modified and the indexation of the exercise increment was cancelled, were reclassified as equity instruments in the item "payments on account of options" by the amount of their fair value at the cancellation date of the indexation of the exercise increment. Remeasurement of options from the date of the last financial statements before the date of change of the conversion terms and their fair value at the date of change of exercise terms, are carried to the statement of profit or loss.

Proceeds in respect of issuance of options to purchase Company's shares which grant an option to the holder to purchase a fixed amount of Ordinary shares in consideration of a variable amount of cash, are presented in current liabilities and classified as liabilities at fair value through profit or loss. In this respect, the exercise amount that is linked to foreign currency is considered as a variable amount.

4. *Financial liabilities at fair value through profit or loss:*

A financial liability is classified at fair value through profit or loss if it is either held for trading or designated as a financial liability at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value. Any gain or loss arising on remeasurement is recognized in profit or loss. The net gain or loss recognized in the statement of profit or loss incorporates interest paid on the financial liability. Transaction costs are recognized on the date of initial recognition in profit or loss.

5. *Treasury shares:*

The cost of Company shares held by the Company or its subsidiaries is deducted from equity as a separate component.

o. *Derivative financial instruments:*

The Group uses a variety of derivative financial instruments to manage the exposures to interest rate and foreign exchange rate risks, among others, the Group buys foreign exchange forward contracts. Also, the Group has derivative financial instruments in respect of options and convertible debentures in which the exercise price is linked to the Israeli CPI and/or in a currency other than the Group's functional currency.

Derivative financial instruments are initially recognized at the date the derivatives are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Remeasurement of derivative financial instruments is generally recorded in the statement of profit or loss.

p. *Revenue recognition:*

Revenue is measured at the fair value of the consideration received and/or the consideration that the Group is entitled to receive for revenue from sale of goods in the ordinary course of business. Revenue is presented net of estimated returns, discounts and etc.

1. *Revenue from sale of goods:*

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transferred to the buyer the significant risks and rewards of ownership of the goods;

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of the revenue 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.

2. *Interest income:*

Interest income is accrued on a time basis by reference to the principal outstanding using the effective interest method.

3. *Dividend income:*

Dividend income from investments is recognized when the right to receive the dividend has been established.

q. ***Leases:***

1. *General:*

Leases are classified as finance leases whenever the terms of the lease transfer all the significant risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2. *Lease of land and vehicles by the Group:*

In finance lease transactions in which the Group leases properties from another entity, the Group recognizes at the inception of the lease an asset at the lower of its fair value and the present value of the minimum lease payments. The liability to transfer the minimum lease payments to the lessor is included in the statement of financial position as a finance lease obligation. In subsequent periods, the current payments for the finance lease are apportioned between the finance element and the liability element so as to achieve a constant rate of interest on the remaining liability. The portion that was allocated to the finance element is recognized in the statement of profit or loss.

Operating lease payments are recognized on a straight-line basis over the lease term. In lease agreements where lease payments are not paid at the inception of the lease or where the lease payments are reduced, and additional incentives are received from the lessor, the Group recognizes the expenses on a straight-line basis over the lease term.

Lease of land (other than investment property at fair value) from the ILA for which all lease payments have been paid in advance are classified as finance leases. Deferred lease payments that have been paid at the inception of the lease are presented in the statement of financial position in the item "property, plant and equipment" and are recognized on a straight-line basis over the remaining lease term, while eliminating the extension option.

r. ***Provisions:***

Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle the obligation using economic sources that can be measured reliably.

The amount recognized as a provision reflects management's best estimate of the amount required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. If a provision is measured using the cash flows

estimated to settle the obligation, the carrying amount of the provision is the present value of those cash flows. Changes in the time value are recorded in profit or loss.

If some or all of the amount required to settle the present obligation is expected to be recovered from a third party, the Group recognizes an asset in respect of the receivable in the amount of the recognized provision only if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably.

s. ***Share-based payments:***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Group measures the fair value of the equity instruments at the grant date using the Black & Scholes model (as for the way the fair value of share-based payments is measured, see Note 19). If the equity instruments granted do not vest until those employees complete the defined service period, the Company recognizes the share-based payment arrangements in the financial statements over the vesting period with a corresponding increase in equity under the item "premium". At the end of each reporting period, the Company revises the number of equity instruments that is expected to vest. Change in estimate compared to previous periods is recorded in the statement of profit or loss over the remaining vesting period.

t. ***Taxes on income:***

1. ***General:***

Income tax expenses (income) represent the sum of current taxes and the sum of the change in deferred tax balances, except where deferred taxes arises from transactions that are recognized directly in equity and business combination transactions.

2. ***Current taxes:***

The current tax expenses are based on the taxable income of the Company and subsidiaries for the reporting period. The taxable income differs from income before taxes on income because of items of income or expenses that are taxable or deductible in other reporting periods and items that are never taxable or deductible. The current tax assets and liabilities are calculated using tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position.

The Group companies create deferred taxes on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax balances (asset or liability) are measured at the tax rates that are expected to apply in the period in which they are realized based on the tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position. Deferred tax liabilities are generally recognized for all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

The Group does not create deferred taxes if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither accounting income nor taxable income (loss for tax purposes).

In computing deferred taxes, taxes associated with the sale of investments in investees are not taken into account because the Group intends to holds the investments and develop them. Also, deferred taxes associated with distribution of earnings in these companies are not taken into account because the dividends are not liable for tax.

3. *Deferred taxes:*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

u. *Employee benefit liabilities:*

1. *Post-employment benefits:*

The Group's post-employment benefits comprise: pension and retirement compensation. The Group's post-employment benefits are defined benefit plans.

Expenses relating to defined benefit plan are taken to the statement of profit or loss using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period. The present value of the Group's obligations in respect of defined benefit plan is determined by discounting the expected future cash flows from the plan by reference to market yields on Government bonds that are stated in the currency in which the benefits in respect of the plan will be paid and have maturity periods that are consistent with the expected settlement dates of the plan.

Actuarial gains and losses are recognized in the statement of profit or loss when incurred.

The Group's liability in respect of the defined benefit plan which is presented in the statement of financial position includes the present value of a defined benefit obligation, less the fair value of the plan assets. Net asset arising from the above computation is limited to the amount of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ("the ceiling amount"). The net asset surplus arising from the above computation which exceeds the ceiling amount is recorded in other comprehensive income and will not be reclassified in subsequent period to profit or loss.

2. *Short-term employee benefits:*

Short-term employee benefits are benefits that are expected to be paid within a period of no more than 12 months after the end of the period in which the employee render the related service.

Short-term employee benefits comprise the Group's obligation for short-term absences, bonuses and salary. These benefits are taken to profit or loss when incurred. The benefits are measured on an undiscounted basis expected to be paid by the Company. The difference between the amount of short-term benefits to which the employee is entitled to and the respective amount contributed is recognized as an asset or liability.

v. *Earnings per share:*

The Company computes basic earnings per share amounts for income or loss attributable to equity holders of the Company by dividing the income or loss attributable to equity holders of the Company by the weighted average number of Ordinary shares outstanding during the reporting period. For the purpose of computing diluted earnings per share, the Company adjusts the income or loss attributable to holders of Ordinary shares and the weighted average number of shares outstanding during the period for the effects of all dilutive potential shares.

w. *Exchange rates and linkage basis:*

1. Balances in or linked to foreign currency are included in the financial statements at the representative exchange rates published by the Bank of Israel in effect at the end of the reporting period.

2. Balances linked to the Israeli CPI are presented according to the last known index at the end of the reporting period (the index for the month which preceded the month of the date of the financial statements) or according to the actual index for the last month of the reporting period (the index for the month of the date of the financial statements) or according to the terms of the transaction.
3. Below are data about the exchange rate of the dollar and the Israeli CPI:

	<i>Representative exchange rate of dollar NIS 1 per US\$ 1</i>	<i>Israeli CPI* Known</i>	<i>Actual Points</i>
Date of financial statements:			
December 31, 2013	3.47	114.07	114.18
December 31, 2012	3.73	111.94	112.15
December 31, 2011	3.82	110.34	110.34
Change in percentages	%		
Year ended December 31, 2013	(6.97)	1.90	1.81
Year ended December 31, 2012	(2.36)	1.45	1.64
Year ended December 31, 2011	7.66	2.55	2.17

* Basis = 2008.

3. NEW FINANCIAL REPORTING STANDARDS, INTERPRETATIONS ISSUED AND AMENDMENTS TO STANDARDS

a. *Amendments to standards in effect which have no significant impact on the current reporting period and/or on prior reporting periods:*

Amendment to IFRS 7, "Financial Instruments: Disclosures" (disclosures regarding transfers of financial assets):

The Amendment requires the disclosure of information regarding the entity's exposure to risks of financial asset transfer transactions in which the transferee retains a certain level of continuing exposure to the asset ("continuing involvement") and regarding financial asset transfer transactions which were derecognized in their entirety carried out close to the end of the reporting period. As of December 31, 2013, there is no significant impact on financial reporting.

IAS 19, "Employee Benefits":

The Group applies the provisions of IAS 19, "Employee Benefits" (as revised in 2011) starting January 1, 2013. Below are the key changes:

- Actuarial gains or losses will be carried to other comprehensive income and will not be classified in subsequent periods to profit or loss. Accordingly, the Group immediately ceased to charge actuarial gains or losses to profit or loss.
- Interest income on defined benefit plan assets will be recognized by applying the discount rate to the benefit liability and not to the expected return on assets. The Company and subsidiaries apply this method and, accordingly, there is no effect as a result of the adoption of the Standard.
- Short-term employee benefits will include benefits that are expected to be settled wholly before 12 months after the end of the year in which the employee renders the related services. Accordingly, benefits relating to paid annual leave which have been measured as short-term benefits on an undiscounted basis will be measured as long-term benefits on the basis of an actuary valuation. As of the reporting date, the Company has no benefits that are expected to be settled wholly within 12 months.

The adjustments resulting from the retrospective adoption of the Standard are immaterial to the Company and subsidiaries and, therefore, no restatements were made.

Amendment to IAS 1 (Revised), “Presentation of Financial Statements” (regarding presentation of statement of financial position as of the beginning of the previous period):

The Amendment determines that an entity is required to present a statement of financial position as of the beginning of the previous period if the retrospective application of an accounting policy and/or restatement and/or reclassification has a material effect on the statement of financial position. Also, the Amendment clarifies that related notes are not required to accompany the additional statement of financial position. The Amendment is effective retrospectively for annual reporting periods beginning on or after January 1, 2013.

IFRS 10, “Consolidated Financial Statements”:

The Standard establishes a new model for determining the existence of control in another entity based on the power of the investor in the investee, the investor’s exposure to variable returns from its involvement with the investee and the investor’s ability to use its power to affect the amount of returns. The Standard does not contain a change in the consolidation procedure of financial statements.

This Standard applies retrospectively, except exceptions as specified in the Standard, for annual reporting periods beginning on or after January 1, 2013.

The adoption of the Standard does not have a significant impact on the Company’s financial position and operating results.

IFRS 13, “Fair Value Measurement”:

The Standard replaces the provisions of fair value measurement in existing IFRS accounting literature with a single standard that establishes a guidance for fair value measurement. Accordingly, provisions of fair value measurement were determined for all items that are measured at fair value in the statement of financial position or for disclosure purposes.

According to the Standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the ordinary course of business between market participants at the measurement date.

The Standard determines the different approaches in which fair value can be measured and it indicates that valuation techniques that maximize the use of observable inputs should be applied. As for non-financial assets, it is determined that in order to measure their fair value, the best use should be evaluated and used to estimate fair value.

The Standard applies prospectively for annual periods beginning on or after January 1, 2013. See Note 23i.

Amendment to IAS 34, “Interim Financial Reporting”:

The amendment determines that total assets and total liabilities for a particular reportable segment will be disclosed in the interim financial statements if the amounts are regularly reviewed by the chief operating decision maker and there has been a material change from the amounts disclosed in the Company’s last annual financial statements. The Amendment applies prospectively for annual periods beginning on January 1, 2013.

IAS 16, “Property, Plant and Equipment” (classification of spare parts, stand-by equipment and servicing equipment):

The Amendment determines that spare parts, stand-by equipment and servicing equipment that meet the definition of property, plant and equipment in IAS 16 will be presented according to its provisions and otherwise, when these items do not meet this definition, they should be presented according to the provisions of IAS 2, “Inventories”. This Amendment cancels the guidance that if spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment they are accounted for as property, plant and equipment. The Amendment applies prospectively for annual periods beginning on January 1, 2013.

- b. New standards and interpretations issued but not yet effective, were not early adopted by the Group and their impact on the financial statements is not expected to be significant:

IFRS 9, "Financial Instruments":

The new Standard outlines the classification and measurement requirements for financial assets and liabilities. According to the Standard, the effective date when the Standard was originally issued, January 1, 2015, was removed. The effective date will be added once the comprehensive project of IFRS 9 will draw to an end. Also, it was tentatively decided that the mandatory effective date of the Standard will not be earlier than annual reporting periods beginning on January 1, 2017.

Currently, the Company's management can not anticipate the effect of the adoption of the Standard on its financial position and operating results.

Amendment to IAS 32, "Financial Instruments: Presentation" (offsetting financial assets and financial liabilities):

The Amendment determines that in order to meet the condition of offsetting an asset and financial liability, the right of set-off can not be contingent on a future event and it must be enforceable in the normal course of business and in the event of bankruptcy, insolvency or default. Also, the net settlement condition may occur even if actually the settlement is in gross if does not leave significant credit risk or liquidity risk and if the amounts due and amounts payable are part of a single settlement process. The Amendment is effective retrospectively for annual reporting periods beginning on or after January 1, 2014. Earlier adoption is permitted.

Currently, the Company's management can not anticipate the effect of the adoption of the Standard on its financial position and operating results.

- c. Standards, interpretations and amendments to standards issued but not yet effective, were not early adopted by the Group and are expected to affect or could affect future periods:

Amendment to IFRS 2, "Share-based Payment" (definition of vesting conditions):

The Amendment determines that a "performance condition" is a vesting condition that requires the counterparty to complete a specified period of service (indirectly or directly) and specified performance targets should be met during that service period. The Amendment also defines "service conditions" as a vesting condition that requires the counterparty to complete a specified period of service. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the counterparty has failed to satisfy the condition. A service condition does not require performance target to be met. The Amendment is effective prospectively to plans for which the grant date is after July 1, 2014. Earlier adoption permitted.

Amendment to IFRS 3, "Business Combination" (Accounting for contingent consideration in a business combination):

The Amendment clarifies that a contingent consideration not classified as equity will be subsequently measured at fair value through profit or loss if it represents a financial instrument and if it does not. The Amendment is effective prospectively to business combinations which occur after July 1, 2014. Earlier adoption permitted.

Amendment to IFRS 8, "Operating Segments" (disclosures regarding aggregation of segments):

The Amendment requires to add disclosure of judgment made by management in aggregating operating segments in order to present them as reportable segments, including a brief description of the operating segments that have been aggregated and the issues that have been assessed in determining that the operating segments share similar economic characteristics. Also, the Amendment clarifies that a reconciliation of total reportable segments assets and the entity's assets is required only if this information is regularly provided to the chief operating decision maker. The Amendment is

effective retrospectively for annual reporting periods beginning on or after July 1, 2014. Earlier adoption is permitted.

Amendment to IAS 24, “Related Party Disclosures” (regarding key management personnel):

The Amendment clarifies that a management company that provides key management personnel services to the reporting entity is a “related party” of the reporting entity. The Amendment is effective retrospectively for annual reporting periods beginning on or after July 1, 2014. Earlier adoption is permitted.

Amendment to IFRS 13, “Fair Value Measurement” (scope of net measurement exception):

The Amendment expands the measurement option of fair value of portfolio of financial assets and financial liabilities on a net position basis also to other contracts in the scope of IAS 39 or IFRS 9. The Amendment is effective prospectively as of the beginning of the annual reporting period in which IFRS 13 is initially applied for annual periods beginning on or after July 1, 2014. Earlier adoption is permitted including appropriate disclosures.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a. General:

In the application of the Group’s accounting policies, which are described in Note 2 above, the Group management is required, in certain cases, to make broad accounting judgments regarding estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

Management reviews the estimates and underlying assumptions on an ongoing basis. Changes in accounting estimates are only recognized in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods.

b. Critical judgments in applying the accounting policies:

The following is critical judgments, except those involving estimates (see above), that the management has made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Revenue recognition:

The Group recognized revenues from food product sales of NIS 336,726 thousand in 2013 (2012 – NIS 286,827 thousand; 2011 – NIS 264,399 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 a corresponding provision 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 3,367 thousand (2012 – NIS 2,867 thousand; 2011 – NIS 2,640 thousand).

c. Key sources of estimation uncertainty:

1. Impairment of goodwill:

In determining whether goodwill is impaired, the Company’s management makes an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. In calculating value in use, the Company calculates the estimated future cash flows expected to arise from each cash-generating unit and the suitable discount rate in order to calculate the present value.

During the current year, there were no changes in the estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The carrying amount of goodwill at the date of the statement of financial position was NIS 1,223 thousand.

2. *Useful life of property, plant and equipment:*

The Company's management reviews the estimated useful life of items of property, plant and equipment at the end of each reporting period. During the current year, there were no changes in the estimates of the useful life of items of property, plant and equipment.

3. *Employee benefits:*

The present value of the Company's liability for retirement and pension plan to its employees is based on a large number of inputs, which are determined on the basis of an actuarial valuation, while using a large number of assumptions, including discount rate. Changes in the actuarial assumptions may affect the carrying amount of the Company's liabilities for retirement and pension payments. The Company estimates the discount rate once a year, based on the discount rate of Government bonds. Other key assumptions are determined based on market conditions and the Company's past experience. For additional information about the assumptions used by the Group, see Note 13.

5. ADDITIONAL INFORMATION ABOUT CURRENT ASSETS

a. *Cash and cash equivalents:*

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Cash and balances at banks	12,408	22,127	18,603
Short-term deposits	33,487	38,404	21,026
Cash and cash equivalents	<u>45,895</u>	<u>60,531</u>	<u>39,629</u>

b. *Financial assets at fair value through profit or loss:*

	2013	December 31, 2012	2011
	NIS in thousands		
Current assets:			
Non-derivative financial instruments at fair value through profit or loss:			
Shares	51,637	53,479	32,756
Government loan and other bonds	120,230	79,877	79,203
Certificate of participation in mutual funds	3,597	115,061	126,216
Financial derivatives	1,512	—	—
	<u>176,976</u>	<u>248,417</u>	<u>238,175</u>

c. **Trade receivables:**

1. *Composition:*

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Open accounts*	60,619	50,842	40,905
Credit card companies	87	279	–
Checks receivable	22,599	20,347	17,269
	83,305	71,468	58,174
Less – allowance for doubtful accounts	342	94	546
	82,963	71,374	57,628

* Less provision for returns of approximately NIS 1,500 thousand (2012 – NIS 1,500 thousand; 2011 – NIS 2,200 thousand).

The average credit period on sales of goods is 74 days.

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

Of trade receivables balance as of December 31, 2013, NIS 18,226 thousand and NIS 10,194 thousand are due from major customers. The Group does not have other customers who represent more than 10% of the total balance of trade receivables as of December 31, 2013.

2. *Movement in allowance for doubtful accounts:*

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Balance at beginning of year	94	546	1,603
Less – discontinued operation	–	–	(1,244)
Increase (decrease) in doubtful accounts	342	(452)	187
Bad debt	(94)	–	–
Balance at end of year	342	94	546

d. **Other accounts receivable:**

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Receivables:			
Accrued income	1,620	2,043	15,559
Government authorities	–	3,576	47
Other receivables	356	103	189
	1,976	5,722	15,795
Debit balances:			
Prepaid expenses	919	583	383
Advances to suppliers	687	1,299	412
	1,606	1,882	795
	3,582	7,604	16,590

e. **Inventories:**

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Finished products	43,765	43,239	28,388
Merchandise – products in transit and prepayments	10,271	6,092	4,225
	<u>54,036</u>	<u>49,331</u>	<u>32,613</u>

f. **Breakdown by linkage basis:**

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Monetary items:			
Linked to the Israeli CPI	116,071	67,266	60,046
In or linked to foreign currency	37,463	40,725	60,001
Unlinked	227,337	279,129	232,206
	<u>380,871</u>	<u>387,120</u>	<u>352,253</u>
Non-monetary items	57,230	51,214	33,408
	<u>438,101</u>	<u>438,334</u>	<u>385,661</u>

6. **INVESTMENT IN INVESTEES**

Subsidiaries:

Details of the Group's subsidiaries:

<i>Name of subsidiary</i>	<i>Place of incorporation</i>	<i>Principal place of business</i>	<i>Ownership interests</i>		
			2013	2012	2011
				<i>%</i>	
Zuktel Investments Ltd.	Israel	Israel	100.00	100.00	100.00
Willi-Food	Israel	Israel	58.17	57.82	55.08
<i>Subsidiaries of Willi-Food:</i>					
V.F.D. Ltd.	Israel	Israel	100.00	100.00	100.00
WF Kosher Food Distributors Ltd.	US	Inactive	100.00	100.00	100.00
Gold Frost Ltd. ("Gold Frost")	Israel	Israel	100.00	100.00	100.00

<i>Name of subsidiary</i>	<i>Scope of investment in investee*</i>			<i>Stock exchange</i>	<i>Market value of holdings</i>		
	2013	2012	2011		2013	2012	2011
	<i>December 31,</i>				<i>December 31,</i>		
	<i>NIS in thousands</i>				<i>NIS in thousands</i>		
Zuktel Investments Ltd.	18	20	25	–	–	–	–
Willi-Food	212,700	194,369	169,832	NASDAQ	214,551	133,018	125,194
<i>Subsidiaries of Willi-Food:</i>							
V.F.D. Ltd.	72	74	67	–	–	–	–
WF Kosher Food Distributors Ltd.	(1,872)	(2,019)	(2,070)	–	–	–	–
Gold Frost Ltd.	140,437	121,136	108,702	–	–	–	–

* The extent of the direct investment in investee is computed in a net amount based on the consolidated financial statements attributable to the equity holders of the parent, of total assets less total liabilities which present in the Company's consolidated financial statements financial information about the investee, including goodwill.

During January – February 2013, the Company purchased 43,036 par value of shares of Willi-Food with total cost of NIS 878 thousand. As a result of the increase in the holdings of Willi-Food, the Company's ownership interests increased to 58.17% of the issued and outstanding capital of Willi-Food.

7. PROPERTY, PLANT AND EQUIPMENT, NET

Composition and movement:

	Building and land	Motor vehicles	Office furniture and equipment	Computers	Mechanical equipment	Leasehold improvements	Total
	NIS in thousands						
Cost:							
Cost at January 1, 2013	46,436	10,358	1,305	3,650	1,509	417	63,675
Purchases	210	1,597	51	146	1,855	–	3,859
Disposals	–	(211)	–	–	–	–	(211)
Cost at December 31, 2013	46,646	11,744	1,356	3,796	3,364	417	67,323
Cost at January 1, 2012	44,672	10,890	949	3,440	1,450	–	61,401
Purchases	1,764	961	356	210	102	417	3,810
Disposals	–	(1,493)	–	–	(43)	–	(1,536)
Cost at December 31, 2012	46,436	10,358	1,305	3,650	1,509	417	63,675
Cost at January 1, 2011	43,055	11,999	1,683	3,298	10,731	584	71,350
Discontinued operation*	–	(1,342)	(794)	–	(9,364)	(584)	(12,084)
Purchases	1,617	741	60	142	83	–	2,643
Disposals	–	(508)	–	–	–	–	(508)
Cost at December 31, 2011	44,672	10,890	949	3,440	1,450	–	61,401
Accumulated depreciation:							
Accumulated depreciation at January 1, 2013	10,019	6,555	759	3,157	921	21	21,432
Depreciation expenses on disposals	–	(162)	–	–	–	–	(162)
Depreciation expenses	1,827	2,265	34	78	316	21	4,541
Accumulated depreciation at December 31, 2013	11,846	8,658	793	3,235	1,237	42	25,811
Accumulated depreciation at January 1, 2012	7,766	6,725	729	3,067	569	–	18,856
Depreciation expenses on disposals	(57)	(514)	–	–	(24)	–	(595)
Depreciation expenses	2,310	344	30	90	376	21	3,171
Accumulated depreciation at December 31, 2012	10,019	6,555	759	3,157	921	21	21,432
Accumulated depreciation at January 1, 2011	5,907	6,764	1,176	2,931	3,619	115	20,512
Discontinued operation*	–	(753)	(513)	–	(3,196)	(115)	(4,577)
Depreciation expenses on disposals	–	(438)	–	–	–	–	(438)
Depreciation expenses	1,859	1,152	66	136	146	–	3,359
Accumulated depreciation at December 31, 2011	7,766	6,725	729	3,067	569	–	18,856
Depreciated cost:							
At December 31, 2013	34,800	3,086	563	561	2,127	375	41,512
At December 31, 2012	36,417	3,803	546	493	588	396	42,243
At December 31, 2011	36,906	4,165	220	373	881	–	42,545

* See Note 25 regarding discontinued operation.

8. GOODWILL

a. *Composition:*

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Amortized cost at end of year	1,223	1,223	1,223

b. *Annual test for impairment:*

The Company's management reviewed the estimation of the value in use of the cash-generating units to which the goodwill has been allocated. According to this estimation, the Company is not required to write down the amount of the goodwill that was recorded in its books.

c. *Allocation of goodwill to cash-generating units:*

The goodwill has been allocated to the cash-generating units of import activity (Willi-Food). Goodwill has been allocated for impairment testing of the carrying amount to the following cash-generating units:

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Import activity of various food products (Willi-Food)	1,187	1,187	1,187
Import activity of chilled and frozen food products (Goldfrost)	36	36	36
	1,223	1,223	1,223

9. ADDITIONAL INFORMATION ABOUT CURRENT LIABILITIES

a. *Trade payables:*

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Open accounts	18,645	26,378	21,883
Checks payable	1,708	1,066	1,909
Accrued expenses	—	—	1,919
	20,353	27,444	25,711

The average credit period on purchases of goods is 30 days. The Group manages a program according to which all payables are paid within the pre-agreed credit term.

b. *Other accounts payable:*

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Government authorities	637	34	443
Related parties (see Note 27b)	1,751	3,704	2,613
Customer advances	659	732	990
Interest payable	82	157	245
Accrued expenses	2,142	1,678	172
Other payables	61	1	271
	5,332	6,306	4,734

c. **Breakdown by linkage basis:**

	2013	December 31, 2012	2011
	<i>NIS in thousands</i>		
Monetary liabilities:			
Linked to the Israeli CPI	1,077	5,814	3,837
In or linked to foreign currency	10,154	30,251	13,156
Unlinked	29,070	45,248	31,507
Total	40,301	81,313	48,500
Non-monetary liabilities	776	5,857	1,388
Total current liabilities	41,077	87,170	49,888

10. CREDIT FROM BANKS AND OTHERS

Composition of financial liabilities at amortized cost:

	<i>Interest rate</i>		<i>Current</i>			<i>Non-current</i>			<i>Total</i>		
	<i>December 31, 2013</i>		<i>December 31,</i>			<i>December 31,</i>			<i>December 31,</i>		
	<i>Effective</i>	<i>Annual</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>%</i>		<i>NIS in thousands</i>								
Banks:											
Overdraft:											
Pound	1.17	L+0.9	236	259	243	–	–	–	236	259	243
Swiss Franc	–	–	–	2,450	–	–	–	–	–	2,450	–
Euro	1.86	L+1.85	18	7,480	–	–	–	–	18	7,480	–
			254	10,189	243	–	–	–	254	10,189	243
On-call loans:											
Unlinked	–	–	–	23,230	–	–	–	–	–	23,230	–
Debentures*	4.35	3+variable interest on Government bond	12,819	12,819	12,586	12,681	25,346	38,173	25,500	38,165	51,002

* For additional information, see Note 12 below.

11. PROVISIONS FOR CONTINGENT LIABILITIES

a. **Composition:**

	2013	December 31, 2012	2011
	<i>NIS in thousands</i>		
Legal proceedings	–	3,446	1,164
Total provisions	–	3,446	1,164

b. **Movement:**

	<i>Legal proceedings</i>
	<i>NIS in thousands</i>
Balance at January 1, 2013	3,446
Recognized in the year	(3,446)
Balance at December 31, 2013	–

c. ***Additional information:***

1. In August 2008, a claim of approximately USD 143 thousand (the amount was computed by reference to the length of lease which, according to the claim, reached USD 735 thousand at the end of the alleged lease term) was filed in the Supreme Court of the State of New York against Willi-Food regarding alleged guarantee of Willi-Food to pay lease fees for warehouse and offices that WF Kosher Food Distributors Ltd. ("WF"), a subsidiary of Willi-Food, allegedly leased for its activity from the owners of Laish Israeli Food Products Ltd. ("Laish") which at the beginning of 2007 sold its activity to WF. In September 2008, Willi-Food filed a statement of defense. This claim was filed after WF filed a claim in the Supreme Court of the State of New York against the owners of Laish, the former CEO of WF and others regarding damages caused to it the outcome of which compelled it to terminate its activity, damages which, in part, are related to that lease agreement. During May 2014, a hearing in the mutual claims is to take place at the Supreme Court of the State of New York. Considering the preliminary stage of the mutual claims, the Company and its legal advisers can not assess their chances.
2. In September 2008, a monetary claim of NIS 1,350 thousand was filed against the Company, against Willi-Food, against Mr. Zvi Williger and against WF. The issue of the claim is allegations of non-payment of WF to several of its Israeli suppliers for variety of products they supplied to WF such as Tempo, Berman, SanlaKol, Mana, Em Hachita and etc. (in this paragraph, "the plaintiffs"). The statement of claim addresses also the Company, Willi-Food and Mr. Zvi Williger (in this paragraph, "the defendants") in their capacity as controlling shareholders and/or shareholders and/or officers of WF and the argument is that under the circumstances the curtain on incorporation should be lifted and the defendants should be charged with WF debts and this because the curtain on incorporation of WF was misused. The defendants filed a statement of defense in which they deny all allegations against them in the statement of claim. In March 2014, a verdict was rendered in which the Court rejected one after the other all plaintiffs' arguments and accepted one by one all defendants' arguments. The Court further ruled court expenses of NIS 60,000 in favor of the defendants.
3. In September 2011, a monetary claim of NIS 211 thousand was filed against the Company and against Mr. Zvi Williger. The issue of the claim is allegations of non-payment of WF to its Israeli supplier for variety of products it supplied to WF. The statement of claim addresses also the Company and Mr. Zvi Williger in their capacity as controlling shareholders and/or shareholders of WF and the argument is that under the circumstances the curtain on incorporation should be lifted and the Company and Mr. Zvi Williger should be charged with WF debts and this because the curtain on incorporation of WF was misused. The Company and Mr. Zvi Williger filed a statement of defense. Currently, no evidence contradicting the arguments of the Company and Mr. Zvi Williger regarding lack of legal responsibility for WF debts were presented and, accordingly, the Company's legal advisers believe that the Company and Mr. Zvi Williger have valid defense. The amount sued was recorded in WF books as a liability in the item trade payables.
4. In December 2012, November 2013 and December 2013, six claims and requests to approve them as class actions under the Class Actions Law, 2006 were filed against Willi-Food and Goldfrost whose issue and cause, as argued, are unlawful labeling of products imported and sold by Willi-Food and Goldfrost 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 Willi-Food and Goldfrost. The amount of the claims, if approved as class actions, was estimated by the plaintiffs at approximately NIS 50 million. Considering the preliminary stage of the claims, the Company, based on the opinion of its legal advisers, can not assess the risk inherited therein and, accordingly, no provision has been made in the financial statements.
5. In May 2013, the Municipality of Yavne sent Willi-Food a revised municipal tax assessment for 2013 according to which the area of the logistic center and its classification were revised (in this paragraph, "the revised municipal tax assessment"). The additional annual charge

included in the revised municipal tax assessment amounts approximately NIS 160 thousand. In addition, the Municipality of Yavne sent Willi-Food a retroactive charge for the years 2008-2012 in respect of what is stated in the revised municipal tax assessment. The legal advisers of Willi-Food believe that there is a chance of significantly reducing the revised municipal tax assessment for 2013 and that there is a high chance of cancelling the retroactive charge. Accordingly, the financial statements include a provision on part of the revised municipal tax assessment but they do not include a provision in respect of the retroactive charge as above.

6. In October 2013, Willi-Food filed a claim with the Rishon Le’Zion Magistrate Court against the Israel Customs and VAT Department in the framework of which it demanded that the Court declares nullification of the charge issued by the Central Customs House to Willi-Food which argues that, for customs purpose, Willi-Food did not include in the value of food deliveries it imported costs that it bear to make the food products Kosher (in this paragraph, “the charge”). The charge requires total customs of approximately NIS 150 thousand for the seven years which preceded the charge. The legal advisers of Willi-Food believe that there is a high chance of cancelling the charge and, accordingly, the financial statements do not include a provision in respect of the charge as above.

12. DEBENTURES

General:

- a. On April 13, 2005, the Group issued, according to a prospectus, NIS 42,000 thousand par value of debentures (series B) and NIS 25,500 par value of convertible debentures (series C) that bear annual interest of 3.25% and linkage to the Israeli CPI. Debentures (series C) were convertible until April 30, 2011 into Ordinary shares of the Company of NIS 1 at the conversion rate of NIS 22 par value of debentures (series C) (subject to adjustments) per share. Debentures not converted into shares were redeemable in four equal annual payments on April 30 of each of the years 2008 to 2011.

Debentures (series B) were redeemable in four equal annual payments on April 30 of each of the years 2008 to 2011.

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

- b. During 2013, the Company redeemed NIS 13,020 thousand par value of debentures (series D) in consideration of the payment of NIS 13,020 thousand which also includes the Group’s share (approximately NIS 201 thousand). Also, interest of NIS 2,227 thousand was paid on the series (including the Group’s share).
- c. As for the fair value of debentures, see Note 23i, Financial Instruments.

13. EMPLOYEE BENEFITS

a. *Composition:*

	2013	December 31, 2012	2011
	<i>NIS in thousands</i>		
Post-employment benefits under defined benefit plans:			
Accrued severance pay and retirement compensation	644	581	518
Short-term employee benefits:			
Salary, related expenses and social contributions	1,481	1,277	1,289
Short-term absence compensation and recreation	398	382	324
	1,879	1,659	1,613
Employee benefit liabilities:			
Current	1,879	1,659	1,613
Non-current	644	581	518
	2,523	2,240	2,131

b. *Post-employment benefits:*

1. *Defined benefit plans:*

(a) General:

Accrued severance pay and retirement compensation:

According to labor laws and the Severance Pay Law in Israel, the Company and the subsidiaries are required to pay compensation to an employee upon dismissal or retirement (including employees who quit their job under other specific circumstances). The computation of the employee benefit liability is made according to the current employment contract based on the employee's latest salary which, in the opinion of management, establishes the entitlement to receive the compensation and considering the employment term.

The above obligation was computed using actuarial valuation. The actuarial valuation was carried out by Mrs. Orit Nir, an actuary fellow of the Israel Association of Actuaries. The present value of the defined benefit obligation and the related current service cost and past service cost were measured at present value (without deducting plan assets) of future payments expected to settle the obligation in consideration of employee's past and current services.

(b) The principal actuarial assumptions at the date of the statement of financial position:

	2013	December 31, 2012	2011
		%	
Discount rate	3.6	3.7	4.3
Expected return on plan assets	2.5-4.5	2.5-4.5	2.5-4.5
Expected increase in salary	4	4	4
Rate of termination and retirement (vary by term of employment):			
Less than 1 year	35	35	35
1-2 years	30	30	30
2-3 years	20	20	20
3-4 years	10	10	10
4-5 years	10	10	10
5 years and more	7.5	7.5	7.5

Assumptions regarding future mortality rates are based on mortality tables published and approved by the Ministry of Finance and updated as of December 31, 2001. The mortality rate of an active participant at retirement age (67 for men, 64 for women), is 0.6433% for men and 0.3574% for women.

Discount rate – the provisions of IAS 19 determine that interest used to discount assets and liabilities should reflect risk free interest that is interest on high quality corporate bonds with consistent maturities and terms. In absence of information and data on bonds of this type, it is common to use the yield to maturity of a long-term index-linked Government bond (index-linked Galil)/or long-term NIS Government bond (NIS Sachar). The nominal discount rate is consistent with Government bond type “Sachar”, as above, which as of December 31, 2013 was 3.6% per year.

The expected return on plan assets is consistent with the manner in which compensation is accrued according to the plan’s characteristics and the behavior of the market.

- (c) Amounts recognized in the statement of profit or loss and in equity in respect of defined benefit plans:

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
Current service cost	681	644	487
Interest cost	107	103	100
Expected return on plan assets	(97)	(89)	(84)
Benefits paid	(84)	(135)	(105)
Employer contribution	(660)	(592)	(559)
Actuarial losses, net	–	112	17
Actuarial gains arising from experience adjustments (see Note 3a)	(55)		
Actuarial losses arising from changes in financial assumptions (see Note 3a)	159	–	–
Loss from interest on compensation allocated to severance pay	12	20	20
	<u>63</u>	<u>63</u>	<u>(124)</u>
The expense was included in the following items:			
Selling expenses	–	50	(94)
General and administrative expenses	–	13	(30)
	<u>–</u>	<u>63</u>	<u>(124)</u>
Movement in capital reserve in Willi-Food (see Note 3a)	<u>63</u>	<u>–</u>	<u>–</u>

(d) Movement in the present value of the defined benefit obligation:

		<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Opening balance	2,929	2,457	4,434
Deconsolidation	–	–	(1,877)
Current service cost	681	644	485
Interest cost	107	103	100
Actuarial losses (gains)	–	179	(285)
Actuarial losses arising from experience adjustments (see Note 3a)	25	–	–
Actuarial gains arising from changes in financial assumptions (see Note 3a)	(56)	–	–
Benefits paid	(291)	(454)	(400)
Closing balance	3,395	2,929	2,457

(e) Movement in the fair value of the plan assets:

		<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Opening balance	2,348	1,940	3,153
Deconsolidation	–	–	(1,250)
Expected return on plan assets	97	89	84
Actuarial gains (losses)	–	67	(268)
Changes in financial assumptions	(135)	–	–
Employer contributions	660	592	559
Benefits paid	(207)	(320)	(318)
Loss from interest on compensation allocated to severance pay	(12)	(20)	(20)
Closing balance	2,751	2,348	1,940

(f) Adjustment of the present value of defined benefit plan obligation and the fair value of the plan assets to assets and liabilities recognized in the statement of financial position:

		<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Present value of funded obligations	3,395	2,929	2,458
Fair value of plan assets – accumulated contribution to managers' insurance	2,751	2,348	1,940
Net liability arising from defined benefit obligation	644	581	518

(g) Actual return on plan assets and compensation rights:

		<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Expected return on plan assets	97	89	84
Actuarial gains (losses)	–	67	(268)
Actual return on plan assets	97	156	(184)

(h) Comparison to previous years:

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Present value of defined benefit obligation	3,395	2,929	2,458
Fair value of plan assets	2,751	2,348	1,940
Plan deficit	<u>644</u>	<u>581</u>	<u>518</u>

c. *Short-term employee benefits:*

1. *Composition:*

	<i>December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Wage, salary and social contributions	1,481	1,277	1,289
Short-term absence compensation and recreation	398	382	324
Total	<u>1,879</u>	<u>1,659</u>	<u>1,613</u>

2. *Additional information:*

(a) 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. Employee who ceases employment before using the balance of leave days is 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, 2013 is NIS 305 thousand (2012 – NIS 293 thousand; 2011 – NIS 324 thousand).

(b) 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. Employee who ceases employment before using the sick days due to the employee is not entitled to payment for the above balance of sick days and, therefore, such provision is not recorded in the Company's books.

14. TAXES ON INCOME

a. *Deferred tax balances:*

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

	<i>Balance – January 1, 2013</i>	<i>Recognized in profit or loss NIS in thousands</i>	<i>Recognized in equity</i>	<i>Balance – December 31, 2013</i>
Timing differences:				
Issuance expenses against premium	–	–	73	73
Financial assets at fair value through profit or loss	(828)	(908)	–	(1,736)
Provisions for employee benefits	262	(7)	–	255
Doubtful accounts	24	67	–	91
Total	(542)	(848)	73	(1,317)
Tax losses	562	(171)	–	391
Total	20	(1,019)	73	(926)

	<i>Balance – January 1, 2012</i>	<i>Recognized in profit or loss NIS in thousands</i>	<i>Balance – December 31, 2012</i>
Timing differences:			
Financial assets at fair value through profit or loss	–	(828)	(828)
Provisions for employee benefits	265	(3)	262
Doubtful accounts	137	(113)	24
Total	402	(944)	(542)
Tax losses	532	30	562
Total	934	(914)	20

	<i>Balance – January 1, 2011</i>	<i>Discontinued operation*</i>	<i>Recognized in profit or loss NIS in thousands</i>	<i>Balance – December 31, 2011</i>
Timing differences:				
Financial assets at fair value through profit or loss	(278)	278	–	–
Provisions for employee benefits	606	(238)	(103)	265
Doubtful accounts	397	(311)	51	137
Depreciation	(1,071)	1,071	–	–
Total	(346)	800	(52)	402
Tax losses	518	(278)	292	532
Total	172	522	240	934

* See Note 25.

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

	2013	December 31, 2012	2011
	<i>NIS in thousands</i>		
Non-current deferred tax assets (liabilities)	(926)	20	934
<hr/>			
b. Income tax expenses recognized in the statement of profit or loss:			
	2013	Year ended December 31, 2012	2011
	<i>NIS in thousands</i>		
Current taxes:			
Current tax expenses	8,459	7,094	4,277
Taxes in respect of previous years	539	(251)	(131)
Total current taxes	8,998	6,843	4,146
Deferred tax expenses (income) in respect of creation and reversal of temporary differences	1,019	914	(240)
Total deferred taxes	1,019	914	(240)
Total tax expenses	10,017	7,757	3,906
<hr/>			
c. Effective tax:			
	2013	Year ended December 31, 2012	2011
	<i>NIS in thousands</i>		
Income before taxes on income	64,162	39,179	2,950
Statutory tax rate	25%	25%	24%
Tax expenses according to statutory tax rate	16,041	9,795	708
Add tax (tax saving) in respect of:			
Tax-exempt income	(286)	(47)	(91)
Non-deductible expenses	166	(64)	124
Loss (gain) from securities for which deferred tax was not created	(6,495)	(1,851)	3,418
Adjustments due to change in tax rates	11	–	36
Other	41	(13)	(158)
	(6,563)	(1,975)	3,329
Adjustments during the year for current taxes from previous years	539	(63)	(131)
Total taxes on income as presented in the statement of profit or loss	10,017	7,757	3,906
<hr/>			
d. Current tax balances:			
	2013	December 31, 2012	2011
	<i>NIS in thousands</i>		
Current tax liabilities	440	2,077	3,837
<hr/>			

e. ***Additional information:***

1. The Company and subsidiaries have not received final tax assessments since their incorporation. According to the provisions of section 145 to the Income Tax Ordinance, assessments through 2007 are considered final subject to certain limitations.
2. On February 26, 2008, the “Knesset” (Israeli parliament) passed the third reading of the Income Tax (Inflationary Adjustments) (Amendment 20) (Limitation of the Application Period) Law, 2008 (“the Amendment”) according to which the application of the Inflationary Adjustments Law will end in the 2007 tax year and from 2008, the provisions of the Inflationary Adjustments Law will no longer apply, excluding transitional provisions aimed at preventing tax miscalculations.

According to the Amendment, from the 2008 tax year and thereafter, the adjustment of income for tax purposes will no longer be calculated on a real basis. Moreover, the linkage to the Israeli CPI of amounts of depreciation on property, plant and equipment and carryforward tax losses will discontinue so that these amounts will be adjusted to the Israeli CPI only until the end of the 2007 tax year and their linkage to the Israeli CPI will cease from that date onward.

3. Pursuant to Amendment 147 to the Israeli Income Tax Ordinance, 2005, the corporate tax rate of 34% was gradually reduced from 2006 (31%) to 2010 (25%) (the corporate tax rates in 2007, 2008 and 2009 were 29%, 27% and 26%, respectively).

On July 23, 2009, the Economic Efficiency (Legislative Amendments for Adopting the Economic Plan for 2009 and 2010) Law, 2009 was issued (“the Arrangement Law”). According to the Arrangement Law, the corporate tax rates applicable in 2009 and 2010 will be gradually reduced from 26% and 25%, respectively, to 24% in 2011 through 18% in the 2016 tax year.

4. On September 26, 2011, the recommendations of the Committee for Socio-Economic Change headed by Prof. Manuel Trachtenberg were made public. These recommendations contain several changes in the taxation field which, if accepted, are not expected to have a significant impact on the Group’s financial statements and reporting results.

The key recommendations of the Committee in the taxation field:

- (a) Cancellation of the planned reductions in income tax and corporate tax scheduled for the coming years effective from 2012.
 - (b) Increase of the corporate tax rate in 2012 to 25%.
 - (c) Increase of the capital gains tax and betterment tax rates as detailed in 2 above.
5. On July 30, 2013, the “Knesset” approved the third reading of the “Arrangements Law” (“the Law”) and on August 5, 2013 it was published in the registry. The relevant provisions to the Company are increase in the corporate tax from the 2014 tax year to 26.5% (increase of 1.5%). As of December 31, 2014, deferred tax balances that are measured according to the corporate tax have been computed according the provisions of the Law.

15. COMMITMENTS

- a. The Company 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.
- b. In April 1997, management service agreements were signed between the Company and Messrs. Joseph Williger and Zvi Williger (“the related parties”) through companies they own (“the management companies”). The agreements were for periods of four years starting April 1997 and renewed automatically for two additional periods of two years each. The management fees amounted to USD 5,000 per month for each management company. According to an addendum to the above

management agreements, it was determined that starting February 2003, the above management fees are no longer payable. The agreement was in effect until April 2005.

Since 2013, the related parties are entitled to directors' fees with salary costs as approved to other directors in the Company. See Note 27 below.

In June 1998, management service agreements were signed between Willi-Food and the related parties through companies they own ("the management companies"). These agreements cancelled the employment agreement from April 1997. The agreements were for periods of four years starting June 1998 and renewed automatically for two additional periods of two years each. The management fees amounted to USD 24,500 per month for each management company. Further, according to the agreement, each management company was entitled to an annual grant out of the consolidated profits before tax and payment of grants by Willi-Food in that year ("the fixed profit") as follows: if the fixed profit is less than NIS 3 million – the grant will amount 3% of the fixed profit and if the fixed profit is more than NIS 3 million – the grant will amount 5% of the fixed profit. This grant is payable for profits of Willi-Food for 1998 and thereafter.

In August 2011, the audit committee and Board of Willi-Food reapproved and ratified and on October 6, 2011, the general meeting of Willi-Food (a public company as defined in the Companies Law, 1999) reapproved and ratified these agreements in connection with the tenure of Mr. Zvi Williger as chairman of the Board of Willi-Food and Mr. Joseph Williger as a director and president of Willi-Food, including amendments to the agreements with them that have conditions that are similar to those approved by the general meeting of Willi-Food in March 2008, except the early announcement of termination on Willi-Food part which was reduced to 18 months. The agreements with them were signed retroactively as from September 15, 2011 for a period of three years from October 6, 2011, the date of approval of the general meeting of Willi-Food.

- c. On April 1, 1997, the Company signed an agreement with Willi-Food regarding receipt of management, administration, comptroller and bookkeeping services as well as offices that Willi-Food rented. According to the above agreement, starting June 1997, the Company will pay Willi-Food a monthly amount of NIS 4,500 that is linked to the Israeli CPI of June 1997.

In August 2011, the audit committee and Board of Willi-Food reapproved and ratified and on October 6, 2011, the general meeting of Willi-Food reapproved and ratified the above agreement.

- d. 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.

16. SHAREHOLDERS' EQUITY

a. *Authorized capital:*

		December 31,		
	2013	2012	2011	
Ordinary shares of NIS 1 par value	50,000,000	50,000,000	50,000,000	

b. *Issued capital:*

	Number of shares			Share capital			Share premium		
	December 31,			December 31,			December 31,		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	In thousands			NIS in thousands			NIS in thousands		
Fully paid Ordinary shares of NIS 1 par value	13,306	12,558	12,033	14,894	14,146	13,622	131,512	113,585	106,315

c. **Share options granted according to employee option plan:**

For information about employee option plan, see Note 18.

d. **Issue of shares in a private placement:**

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

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

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

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

e. **Movement in the number of shares:**

	<i>In thousands</i> <i>Number of shares*</i>
Balance at January 1, 2011	11,677
Movement in 2011:	
Issue of shares resulting from conversion of debentures	2
Issue of shares resulting from exercise of options	207
Issue of shares in a share-based payment plan to employees	15
Balance at December 31, 2011	11,901
Movement in 2012:	
Issue of shares resulting from exercise of options	524
Balance at December 31, 2012	12,425
Movement in 2013:	
Issue of shares resulting from exercise of options	58
Issue of shares in a private placement	690
Balance at December 31, 2013	13,173

* Less 133 thousand of Company's shares are held by subsidiary.

17. DIVIDENDS

On March 18, 2013, the Company's Board decided to distribute final cash dividend for 2012 in the total amount of NIS 6.9 million, approximately NIS 0.55 per share. The cum date was determined to be April 4, 2013. The dividend was actually paid on April 17, 2013.

On November 6, 2013, the Company's Board decided to distribute interim cash dividend for 2013 in the total amount of NIS 10 million, approximately NIS 0.793 per share. The record date was determined to be November 20, 2013. The dividend was actually paid on December 5, 2013.

18. SHARE-BASED PAYMENT

a. *Details of Company's officers share option plans:*

<i>Share option plan</i>	<i>Number</i>	<i>Grant date</i>	<i>Expiry date</i>	<i>Exercise price at grant date NIS</i>	<i>Fair value at grant date NIS</i>
a. Granted in August 2009	135,000	8/09	employees – 8/14	11.5	employees – 8.39
b. Granted in June 2011	65,000	06/11	employees		
			one-third – 06/12		
			one-third – 06/13		
			one-third – 06/14	10.1388	see b

In January 2008, the Company's Board approved a plan to allocate, at no consideration, options to the CEO, chairman, employees and officers of the Company. Under the plan, 500,000 options were allocated, of which 200,000 options to each of the CEO and chairman.

On August 4, 2009, according to a decision of the Company's audit committee and Board from March 12, 2009, the Company informed that the option plan has been modified, among others, the number of options to be allocated to employees was expanded to 200,000 options, the dates on which the employees may exercise the options were extended by six months and the exercise price was changed to a nominal amount of NIS 11.5, unlinked, for each option and not NIS 19 linked to the Israeli CPI for each option. On that date, 135,000 options were allocated to employees.

The options granted to the Company's employees, as above, may vest in three equal portions as follows:

- (1) One-third (1/3) – within 12 months of their allocation ("the record date") to 36 months after the record date.
- (2) One-third (1/3) – within 24 months after the record date to 48 months after the record date.
- (3) One-third (1/3) – within 36 months after the record date to 60 months after the record date.

Compensation cost inherited in options allocated as above to employees, based on the grant date fair value, was estimated at approximately NIS 1.1 million. This amount is carried to the statement of profit or loss over the vesting period.

In March 2011, in furtherance to the option plan that was approved in March 2009 according to which 200,000 unquoted options were allocated to employees of the Company and Willi-Food and its subsidiaries and in furtherance to the allocation of 135,000 options to employees of the Company and Willi-Food and its subsidiaries in August 2009, the Company's Board approved to allocate the remaining 65,000 options, of which 10,000 options to the deputy CEO of the Company and the balance to an officer and employee of Willi-Food. The options were allocated under the return track for income tax purposes. All options under the plan from August 2009 have been allocated.

The above 65,000 options were allocated on June 29, 2011. Any option is exercisable into Ordinary share of the Company of NIS 1 par value for the exercise increment of NIS 10.1388 (subject to adjustments). The options may vest in portions as follows: one-third of all of the above options may be exercised from June 29, 2012 over 24 months; one-third of all of the above options may be exercised from June 29, 2013 over 24 months and the last third of all of the above options may be exercised from June 29, 2014 over 24 months. At the end of 2011 and at the beginning of 2012, the officer and employee of Willi-Food announced of their intention to quit their position and, accordingly, 55,000 options granted to them expired after they resigned.

During 2012, 14,000 options expired after employees resigned.

Compensation cost inherited in options allocated as above, based on the grant date fair value and less options that expired, was estimated at approximately NIS 230 thousand. This amount will be carried to the statement of profit or loss over the vesting period.

On November 28, 2013, after receiving the approval of the remuneration committee and Board of Willi-Food, the general meeting of Willi-Food approved an employee option plan (in this paragraph, “the plan”) according to which Willi-Food will allocate, pursuant to the provisions of section 102 to the Income Tax Ordinance under the earned income track, 430,000 unquoted options of the Company to officers of Willi-Food and to employees of the subsidiaries (in this paragraph, “the optionees”). Any option is exercisable into one Ordinary share of Willi-Food of NIS 0.1 par value each. For additional information, see Note 27d.

b. ***Estimated fair value of options:***

The fair value of options granted as described above was estimated using the Black & Scholes model. In this framework, the Company did not take into account the effect of vesting conditions, excluding the effect of market conditions on the fair value of the equity instruments granted.

The inputs used in the adoption of the model are as follows:

1. *August 2009 grant:*

Average share price (NIS)	20.13
Exercise price (NIS)	11.5
Expected volatility*	employees – 45%-51%
Option life (years)**	employees – 2-4
Risk-free interest rate	2.5%-3.7%

2. *June 2011 grant:*

The inputs used in the adoption of the model are as follows:

The fair value of options granted as described above was estimated using the Black & Scholes model. In this framework, the Company did not take into account the effect of vesting conditions, excluding the effect of market conditions on the fair value of the equity instruments granted.

Average share price (NIS)	20.13
Exercise price (NIS)	10.14
Expected volatility*	44.1%
Option life (years)**	2.49
Risk-free interest rate	4.4%

3. *November 2013 grant:*

Average share price (USD)	8.07
Exercise price (USD)	6.5
Expected volatility*	30%
Option life (years)**	5
Risk-free interest rate	1.57%

* The expected volatility was determined on the basis of historical volatility of share prices of the Company and other group companies.

** The average option life is determined according to management estimate as to the holding period of the options by employees taking into account their position at the Company and the Company’s past experience.

c. **Additional information about options granted to employees:**

	<i>Year ended December 31, 2013</i>		<i>Year ended December 31, 2012</i>		<i>Year ended December 31, 2011</i>	
	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>
Options granted to employees that are:						
Outstanding at the beginning of the year	61,334	9.94	75,001	10.14	88,001	10.61
Granted	–	–	–	–	65,000	–
Exercised	(58,000)	9.78	–	–	(15,000)	10.14
Expired	–	–	(13,667)	–	(63,000)	–
Outstanding at the end of the year	<u>3,334</u>	<u>9.58</u>	<u>61,334</u>	<u>9.94</u>	<u>75,001</u>	<u>10.14</u>
Exercisable at end of year*	<u>–</u>		<u>54,667</u>		<u>27,751</u>	

* The weighted average remaining contractual life of the above options was 2.49 years.

19. ADDITIONAL INFORMATION ABOUT REVENUES AND EXPENSES

a. **Revenues from sales:**

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Sale of merchandise manufactured by other corporations	<u>336,726</u>	<u>286,827</u>	<u>264,399</u>

b. **Cost of sales:**

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Transportation to warehouse and unloading containers	1,993	1,833	1,760
Other	1,754	1,597	1,504
Maintenance, lease of warehouse and storage	4,087	2,768	2,678
Depreciation and amortization	<u>1,968</u>	<u>2,310</u>	<u>1,858</u>
	9,802	8,508	7,800
Decrease (increase):			
In inventories of products	(290)	(16,349)	(7)
Purchases	<u>243,313</u>	<u>225,395</u>	<u>194,895</u>
Total cost of sales	<u>252,825</u>	<u>217,554</u>	<u>202,688</u>

c. ***Selling and marketing expenses:***

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Expenses for employee benefits (see e)	11,219	11,021	10,234
Advertising and sales promotion	5,966	4,288	3,774
Transportation and maintenance	7,146	5,927	5,032
Vehicle maintenance	4,591	4,524	4,499
Depreciation and amortization	1,995	376	1,098
Other	4,456	2,911	2,844
	<u>35,373</u>	<u>29,047</u>	<u>27,481</u>

d. ***General and administrative expenses:***

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Expenses for employee benefits (see e)	13,210	11,195	10,215
Professional services	2,746	3,202	4,690
Doubtful accounts and bad debts	340	(11)	109
Office maintenance	1,237	1,040	974
Vehicle maintenance	412	344	274
Depreciation and amortization	578	485	408
Communication	181	166	198
Other	1,223	882	993
	<u>19,927</u>	<u>17,303</u>	<u>17,861</u>

e. ***Expenses for employee benefits:***

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Salary (excluding salary of related parties, see Note 27)	16,341	15,701	15,159
Equity-settled share-based payment transactions (excluding related parties options, see Note 27)	18	93	200
Expenses for defined benefit plan	–	63	(124)
	<u>16,359</u>	<u>15,857</u>	<u>15,235</u>

f. ***Depreciation and amortization:***

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Depreciation of property, plant and equipment (see Note 7)	<u>4,541</u>	<u>3,171</u>	<u>3,359</u>

20. FINANCE INCOME (EXPENSES)**a. Composition:**

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Interest income:			
Interest income on short-term bank deposits	468	911	2,014
Interest income on debentures held for trading	3,808	5,782	4,426
Other	49	–	58
Total interest income	<u>4,325</u>	<u>6,693</u>	<u>6,498</u>
Other:			
Remeasurement of financial assets held for trading	32,395	10,221	(17,886)
Exchange differences	–	2,051	1,707
Remeasurement of fund designated through profit or loss	1,407	113	(70)
Dividends received	698	1,033	1,229
Total other finance income (expenses)	<u>34,500</u>	<u>13,418</u>	<u>(15,020)</u>
Total finance income (expenses)	<u>38,825</u>	<u>20,111</u>	<u>(8,522)</u>

b. Net gain (loss) from financial assets by categories:

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Financial assets held for trading at fair value through profit or loss	32,395	10,211	(17,886)
Loans and receivables (including cash and cash equivalents)	<u>6,430</u>	<u>9,900</u>	<u>9,364</u>
	<u>38,825</u>	<u>20,111</u>	<u>(8,522)</u>

21. FINANCE EXPENSES**a. Composition:**

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Interest expenses:			
Interest expenses on bank overdraft and loans	80	175	46
Interest expenses on convertible debentures	–	–	16
Interest expenses on non-convertible debentures	<u>1,683</u>	<u>2,739</u>	<u>3,990</u>
Total interest expenses	<u>1,763</u>	<u>2,914</u>	<u>4,052</u>

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Other:			
Remeasurement of liability for convertible debentures	–	–	65
Linkage expenses and discount of non-convertible debentures	153	236	589
Exchange differences	719	84	(90)
Expenses relating to commissions	614	667	565
Other	69	–	(44)
Total other finance expenses	1,555	987	1,085
Total finance expenses	3,318	3,901	5,137

b. *Net loss from financial liabilities by categories:*

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Financial liabilities designated at fair value through profit or loss	69	–	(88)
Financial liabilities measured at amortized cost	1,683	2,739	4,660
Other	1,566	1,162	565
	3,318	3,901	5,137

22. EARNINGS (LOSS) PER SHARE

a. *Basic earnings (loss) per share:*

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Income (loss) for the year attributable to equity holders of the Company	41,586	21,111	(5,749)
Income (loss) used in the calculation of basic earnings per share	41,586	21,111	(5,749)
Loss used in the calculation of basic earnings per share from discontinued operations	–	–	(3,963)
Income (loss) used in the calculation of basic earnings per share from continuing operations	41,586	21,111	(9,712)
	Year ended December 31,		
	2013	2012	2011
Weighted average number of Ordinary shares used in the calculation of basic earnings per share	12,527,720	12,287,405	11,852,516

b. ***Diluted earnings (loss) per share:***

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Income (loss) used in the calculation of basic earnings per share	41,586	21,111	(5,749)
Reconciliation:			
Loss used in the calculation of diluted earnings per share from discontinued operations	—	—	(3,963)
Income (loss) used in the calculation of diluted earnings per share from continuing operations	<u>41,586</u>	<u>21,111</u>	<u>(9,712)</u>

	Year ended December 31,		
	2013	2012	2011
Weighted average number of shares	12,527,720	12,287,405	11,852,516
Reconciliation:			
Issue of options	<u>8,113</u>	<u>16,141</u>	<u>14,542</u>
	<u>12,535,833</u>	<u>12,303,546</u>	<u>11,867,058</u>

23. 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:***

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Financial assets:			
Fair value through profit or loss:			
Held for trading	176,976	248,417	238,175
Fund designated at fair value through profit or loss	9,349	1,077	1,026
Loan designated at fair value through profit or loss	<u>65,300</u>	<u>—</u>	<u>—</u>
	<u>251,625</u>	<u>249,494</u>	<u>239,201</u>
Financial liabilities:			
Fair value through profit or loss:			
Financial liabilities measured at amortized cost	25,500	38,165	50,759
Interest payable on debentures (series D)	<u>82</u>	<u>157</u>	<u>245</u>
	<u>25,582</u>	<u>38,322</u>	<u>51,004</u>

c. ***Financial risks management and objectives:***

The Group's finance departments provide services to the business, coordinate access to domestic and international financial markets, monitor and manage the financial risks relating to the operations of

the Group through internal reports that analyze exposures by degree and magnitude of risk. These risks comprise market risks (including currency risk, fair value risk in respect of interest rate, price risk and cash flow risk in respect of 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 exposures, such derivatives are not designated as hedges for accounting purposes. Derivatives are used according to the Group's policy, which was approved by the boards. The policy provides principles on: 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 the internal auditor on a continuous basis.

The Group's financial management department reports to the Group's investment committee and to the Company's Board about the risks and the policies implemented to mitigate the risk exposures.

d. **Market risk:**

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.

e. **Currency risk:**

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 minimize, 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 this mainly by holding its excess cash in foreign currency and timely purchase of foreign currency.

During 2013, 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 assets and liabilities are as follows:

	<i>Assets</i>			<i>Liabilities</i>		
	<i>December 31,</i>			<i>December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>					
USD	31,067	38,210	50,694	6,013	27,836	10,913
Euro	6,216	3,049	9,125	3,590	9,042	1,700
Other	180	–	4	291	3,302	543

Foreign currency sensitivity analysis:

The Group is mainly exposed to the currencies USD and Euro.

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 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 NIS strengthens 10% against the relevant currency or a decrease in profit or loss or a decrease in equity if the NIS weakens 10% against the relevant currency.

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

	<i>USD impact</i>			<i>Euro impact</i>		
	<i>December 31,</i>			<i>December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>					
Profit or loss	<u>2,505</u>	<u>2,030</u>	<u>3,978</u>	<u>263</u>	<u>(599)</u>	<u>743</u>

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

f. **Interest risk:**

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

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

Interest rate sensitivity analysis:

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

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

The Group's income for the year ended December 31, 2013 would increase/decrease by NIS 2,197 thousand (2012 – increase/decrease by NIS 496 thousand, 2011 – increase/decrease by NIS 12,612 thousand). This change is mainly attributable to changes in the fair value of the Company's debentures.

g. **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 NIS 186,325 thousand (2012 – NIS 249,494 thousand, 2011 – NIS 239,201 thousand).

Sensitivity analysis to shares, mutual funds and bonds:

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

The income/loss as of December 31, 2013 would increase/decrease by NIS 18,633 thousand (2012 – increase/decrease by NIS 24,950 thousand, 2011 – increase/decrease by NIS 9,158 thousand) as a result of changes in the fair value of shares, mutual funds and bonds held for trading.

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

Exposure to the Israeli CPI:

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

The carrying amount of quoted securities exposed to changes in the Israeli CPI as of December 31, 2013 is NIS 50,560 thousand (2012 – NIS 61,614 thousand, 2011 – NIS 58,536 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, 2013 would increase by NIS 5,056 thousand (2012 – increase by NIS 6,145 thousand, 2011 – increase by NIS 5,621 thousand).

h. **Liquidity risk management:**

1. *Non-derivative financial liabilities:*

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

	<i>Less than 1 month</i>	<i>1–3 months</i>	<i>3 months to 1 year</i>	<i>1–5 years</i>	<i>Total</i>
	<i>NIS in thousands</i>				
2013					
Interest bearing instruments:					
Variable	–	–	12,819	12,681	25,500
Fixed	–	254	–	–	254
	<u>–</u>	<u>254</u>	<u>12,819</u>	<u>12,681</u>	<u>25,754</u>
2012					
Interest bearing instruments:					
Variable	–	–	12,819	25,345	38,164
Fixed	–	25,920	7,500	–	33,420
	<u>–</u>	<u>25,920</u>	<u>20,319</u>	<u>25,345</u>	<u>71,583</u>
2011					
Non-interest bearing instruments	–	6,620	13,689	518	20,827
Interest bearing instruments:					
Variable	–	–	12,586	38,173	50,759
Fixed	–	5,664	11,112	–	16,776
	<u>–</u>	<u>12,285</u>	<u>37,387</u>	<u>38,691</u>	<u>88,362</u>

2. *Non-derivative financial assets:*

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

	<i>Less than 1 month</i>	<i>1–3 months</i>	<i>3 months to 1 year</i>	<i>1–5 years</i>	<i>> 5 years</i>	<i>Total</i>
	<i>NIS in thousands</i>					
2013						
Interest bearing	135,202	66	1,664	21,802	27,396	186,130
Non-interest bearing	45,895	54,635	9,349	–	–	109,879
	<u>181,097</u>	<u>54,701</u>	<u>11,013</u>	<u>21,802</u>	<u>27,396</u>	<u>296,009</u>
2012						
Interest bearing	115,061	39,907	–	–	–	154,968
Non-interest bearing	60,531	93,449	1,077	–	–	155,057
	<u>175,592</u>	<u>133,356</u>	<u>1,077</u>	<u>–</u>	<u>–</u>	<u>310,025</u>
2011						
Interest bearing	12,094	134,764	–	–	–	146,858
Non-interest bearing	93,836	110,534	1,026	–	–	205,395
	<u>105,929</u>	<u>245,298</u>	<u>1,026</u>	<u>–</u>	<u>–</u>	<u>352,253</u>

The total unused credit as of the date of the statement of financial position is NIS 38 thousand. The Group expects to meet its other obligations from its operating cash flows and proceeds of its financial assets.

i. ***Fair value of financial instruments:***

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard conditions that are traded in active markets is determined by reference to the quoted market prices.
- The fair value of derivative financial instruments is computed while using quoted prices. If these prices are not available, discounted cash flow analysis is applied while using the proper yield curve over the life of the instruments for derivatives that are not options and for derivatives that are options option pricing model have been applied.

Quoted prices:

The financial assets in this category include shares, mutual funds, registered redeemable bonds, bills of exchange and debentures. The financial liabilities include debentures and bills of exchange.

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

	<i>Carrying amount December 31,</i>			<i>Fair value December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>					
Financial liabilities:						
Debentures ⁽¹⁾	<u>25,500</u>	<u>38,165</u>	<u>50,759</u>	<u>26,253</u>	<u>39,310</u>	<u>52,314</u>
On-call loans	<u>–</u>	<u>23,230</u>	<u>–</u>	<u>–</u>	<u>23,230</u>	<u>–</u>

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

To measure the fair value of its financial instruments, the Group categorizes its financial instruments, which are measured in the statement of financial position at fair value, into the hierarchy which comprises the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 – inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs that are unobservable for the asset or liability.

The categorization of the assets or liabilities at fair value is based on the lowest level that was materially used for measuring the fair value of the asset or liability as a whole.

Below are details of the Group's financial instruments that are measured at fair value by levels:

Financial assets at fair value through profit or loss by levels:

	<i>December 31, 2013</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>NIS in thousands</i>			
Quoted securities and derivatives	172,519	4,457	–	176,976
Investment in fund	–	9,349	–	9,349
Loan at fair value through profit or loss	–	–	65,300	65,300
Total	172,519	13,806	65,300	251,625

Assets and liabilities that are presented in the statement of financial position at fair value within Level 3:

On November 27, 2013, Willi-Food entered into a loan agreement with Newco (“the loan agreement”) according to which Willi-Food will give Newco a loan of NIS 65 million (“the loan”) that will be deposited according to the trust agreement between Willi-Food and Newco trustee (“the investors trustee”) and that may be fully converted into shares of IDB Holdings Company Ltd. (“IDB Holdings”) or into shares of IDB Development Company Ltd. (“the conversion shares”) to be held by Newco in proportion to the loan amount and the amount injected by Newco under the arrangement plan between IDB Holdings and its creditors (“the arrangement plan”) which was submitted to the Court pursuant to section 350 to the Companies Law, 1999 (“the Companies Law”).

According to the loan agreement, this is a “bullet” loan (principal, linkage differences and interest) extended for the shorter of a period of one year from the date of deposit or for a period of six months from the date of completion as determined in the arrangement plan (“the original repayment date”). The loan shall be linked to the Israeli CPI published on November 15, 2013 and shall bear interest at the annual rate of 5% compounded from the date of deposit to the relevant date of repayment. According to the terms of the loan agreement, if the Court does not approve the arrangement plan or if the suspending conditions do not give rise to the arrangement plan, the loan will be paid off and returned to Willi-Food before the original repayment date including linkage differences and interest.

Considering the decision of the Tel-Aviv District Court from December 17, 2013 regarding the approval of the creditors’ composition of IDB Holdings (“the Court’s decision”), Willi-Food addressed the investors trustee and demanded to transfer to its disposal the loan principal in line with the trust agreement and the Court’s decision.

On December 31, 2013, at the request of Willi-Food, the investors trustee addressed the officer in the capacity of the trust agreement, Adv. Hagai Ullman (“Ullman”), and informed that on December 29, 2013 it received a demand from Willi-Food to immediately transfer to Willi-Food the loan principal of NIS 65 million which Willi-Food made available to Newco and which was deposited in trust with the investors trustee. According to this demand, Ullman is requested to give its written approval to the investors trustee and to the Trust Company of Bank Leumi Le’Israel Ltd. (or, alternatively, not to give the approval) to act to release the above amount that is in trust considering the provisions of section 4.2.2 to the trust agreement, the Court’s decision and that December 31, 2013 is the deferred date for presenting the examination report by the observer appointed by Court.

On January 12, 2014, the loan principal was returned to Willi-Food. On January 14, 2014, Willi-Food received the interest on the loan.

*Investment in debt
instruments and loans
presented at fair value
In investees
NIS in thousand*

Balance at January 1, 2013	—
Purchases	65,000
Gains recognized through profit or loss:	
Finance income	300
Balance at December 31, 2013	<u>65,300</u>

24. OTHER FINANCIAL ASSETS AND LIABILITIES

From time to time the Group takes action to hedge against changes in exchange rate. Below are the open positions as of December 31, 2013:

a. **Other financial assets:**

	2013	2012	2011
		<i>Current liabilities December 31, NIS in thousands</i>	
Derivatives not designated as hedges:			
Maof call options	5,068	—	
Maof put options	(3,556)	—	
	<u>1,512</u>	<u>—</u>	<u>—</u>

b. **Other financial liabilities:**

	Exchange rate	2013	2012	2011
			<i>Current liabilities December 31, NIS in thousands</i>	
Derivatives designated as hedges:				
Forward contracts in USD	3.485-3.515	(67)	—	
Forward contracts in Euro	4.756	16	—	
		<u>51</u>	<u>—</u>	<u>—</u>

25. DISCONTINUED OPERATION

a. **Disposal of operation:**

Sale of Willi-Food holdings in Shamir Salads (2006) Ltd. (“Shamir Salads”) and discontinue of the production activity:

In furtherance to mutual claims managed in an arbitration procedure between Willi-Food and other shareholders of Shamir Salads (“the other shareholders”), on December 16, 2011, Willi-Food and the other shareholders entered into an agreement according to which the other shareholders will purchase all of Willi-Food interests in Shamir Salads (51% of the share capital of Shamir Salads) from Willi-Food in consideration of NIS 12,000,000 (in this paragraph, “the agreement”). Also and according to the agreement, Willi-Food is entitled to management fees from Shamir Salads of NIS 1,500,000 plus VAT for management services provided by officers acting on behalf of Willi-Food in Shamir Salads through the end of 2011. Below are details of the key elements of the agreement:

1. At the date of closing the agreement, the member of the Boards acting on behalf of Willi-Food in Shamir Salads will resign from their duties. Also, it is agreed that the parties will release Willi-Food from all guarantees provided to secure payment of Shamir Salads debts to banks and other entities. Further, Willi-Food will deliver to the other shareholders and release all securities provided to it in the past.
2. Also, it is agreed that the mutual claims as in the arbitration procedure between the parties will be cancelled without order for expense and the arbitrator is asked to valid the agreement. Accordingly, it is agreed that there will be no more claims and/or demands of one party against another. Moreover, it is agreed that from the date of closing the transaction according to the agreement, officers acting on behalf of Willi-Food in Shamir Salads, Shamir Salads, Willi-Food and the other shareholders will mutually waive, the waiver is final and absolute, on any argument and/or demand and/or claim of any type and kind of one party against another.
3. In addition, Shamir Salads has undertaken to compensate, without limitation as to date or amount, Willi-Food and/or officers acting on behalf of Willi-Food in Shamir Salads for any liability or expense that may arise and/or expensed due to actions carried out in the capacity of being officers in Shamir Salads or in matters directly or indirectly related to Shamir Salads.

On December 27, 2011, all suspending conditions were satisfied and on January 1, 2012 the transaction was completed the outcome of which is discontinuance of the production segment as an operating segment in the Group.

The results of discontinued operations are presented separately in the statements of profit or loss. Comparative amounts in the statements of profit or loss and in the statements of cash flows have been retroactively adjusted to reflect the data of the profit or loss and cash flows of discontinued operations separately.

The combined results of the discontinued operation (the activity of Shamir Salads) included in the statement of profit or loss are as follows:

1. *Profit or loss data from discontinued operations*

	<i>Year ended December 31,</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>NIS in thousands</i>		
Revenues	–	–	79,348
Expenses	–	–	(78,920)
Income before taxes on income	–	–	428
Taxes on income	–	–	(135)
	–	–	293
Gain from disposal of discontinued operations	–	–	5,691
Taxes on income	–	–	(1,811)
	–	–	3,880
Total income for the year from discontinued operations	–	–	4,173

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Income (loss) from continuing operations			
attributable to:			
Equity holders of the Company	–	–	(9,712)
Non-controlling interests	–	–	8,756
	<u>–</u>	<u>–</u>	<u>(956)</u>
Income from discontinued operations			
attributable to:			
Equity holders of the Company	–	–	3,963
Non-controlling interests	–	–	210
	<u>–</u>	<u>–</u>	<u>4,173</u>

2. *Cash flows data from discontinued operations:*

	Year ended December 31,		
	2013	2012	2011
	NIS in thousands		
Net cash flows provided by operating activities	–	–	5,532
Net cash flows used in investing activities	–	–	(3,394)
Net cash flows used in financing activities	–	–	(982)
Net cash flows	<u>–</u>	<u>–</u>	<u>1,156</u>

26. SEGMENT REPORTING

a. *General:*

Since January 1, 2009, the Group applies IFRS 8, “Operating Segments” (“IFRS 8”). According to the provisions of IFRS 8, operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group’s chief operating decision maker for the purpose of resource allocation and assessment of operating segment performance.

Since 2012, the Group’s operating segment under IFRS 8 is the import segment only. The import segment earns its revenues from importing and marketing food products to retail chains, supermarkets and etc.

Until the sale of the sub-subsidiary, Shamir Salads, in late 2011, the Company’s reporting segment included also the production segment (segment which earned its revenues from production of food products to retail chains, supermarkets and etc.). As a result of the above sale, practically the production segment of the Company was sold and the chief operating decision maker no longer reviews the assets and performance of this segment.

Accordingly, the only reportable segment is the import segment that is presented in the statement of profit or loss and that does not include revenues and expenses from the discontinued operation.

b. **Revenues from major customers:**

Revenues from major customers that contributed 10% or more to the Company's total revenues in 2011-2013 are as follows:

	2013		Year ended December 31, 2012		2011	
	NIS in thousands	%	NIS in thousands	%	NIS in thousands	%
Major customer A	40,099	12	42,325	15	30,716	12
Major customer B	64,817	19	49,446	17	48,124	18

Revenues from major groups of products that contributed 10% or more to the Group's total revenues in 2011-2013 are as follows:

	2013		Year ended December 31, 2012		2011	
	NIS in thousands	%	NIS in thousands	%	NIS in thousands	%
Canned vegetables	60,783	18	58,076	20	56,543	21
Dairy and dairy substitute products	86,862	26	74,824	26	70,317	26
Edible oils	*	*	28,324	10	27,200	10

* Less than 10%.

27. TRANSACTIONS WITH RELATED PARTIES

a. **Benefits granted to related parties:**

	2013	December 31, 2012	2011
	NIS in thousands		
Management fees and related benefits and bonus to related parties employed by the Company	7,898	6,783	5,718
Number of people to whom the benefit relates	2	2	2
Directors' fees to interested parties employed by the Company	56	–	–
Number of people to whom the benefit relates	2	2	2
Directors' fees to those not employed by the Company	327	316	395
Number of people to whom the benefit relates	6	7	6
Salary and bonus to key management personnel	1,440	1,535	1,668
Number of people to whom the benefit relates	3	3	3
Share-based payment to key management personnel and related parties (see d)	190	68	90
Number of people to whom the benefit relates	3	1	1

b. **Balances with related parties:**

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
In assets/current liabilities:			
Other accounts receivable	33	33	–
Other accounts payable	1,751	3,704	2,612

c. **Transactions with related parties:**

	2013	Year ended December 31, 2012	2011
		<i>NIS in thousands</i>	
Expenses to related parties:			
Management fees and related expenses	2,874	2,830	2,780
Bonus	4,591	3,529	2,500
Cost of salary and employer's provided vehicle	433	424	438
Share-based payment	172	–	–
Directors' fees to related parties employed by the Company	56	–	–

On March 15, 2010, 200,000 options allocated to each of the Messrs. Joseph Williger and Zvi Williger were exercised into 200,000 Ordinary shares of the Company of NIS 1 par value in consideration of NIS 2,145 thousand.

In August 2011, the audit committee and Board of Willi-Food reapproved and ratified and on October 6, 2011, the general meeting of Willi-Food (a public company as defined in the Companies Law, 1999) reapproved and ratified these agreements in connection with the tenure of Mr. Zvi Williger as chairman of the Board of Willi-Food and Mr. Joseph Williger as a director and president of Willi-Food, including amendments to the agreements with them that have conditions that are similar to those approved by the general meeting of Willi-Food in March 2008, except the early announcement of termination on Willi-Food part which was reduced to 18 months. The agreements with them were signed retroactively as from September 15, 2011 for a period of three years from October 6, 2011, the date of approval of the general meeting of Willi-Food, see Note 15.

On August 6, 2013, the Company's Board approved to Mr. Zvi Williger, chairman of the Company's Board, and Mr. Joseph Williger, a director in the Company, annual directors' fee as the minimal amount determined in the compensation regulations and compensation for attending a meeting as the amount determined in the compensation regulations.

d. **Equity compensation in Willi-Food:**

On November 28, 2013, after receiving the approval of the remuneration committee and Board of Willi-Food, the general meeting of Willi-Food approved an employee option plan (in this paragraph, "the plan") according to which Willi-Food will allocate, pursuant to the provisions of section 102 to the Income Tax Ordinance under the earned income track, 430,000 unquoted options of the Company to officers of Willi-Food and to employees of the subsidiaries (in this paragraph, "the optionees"). Any option is exercisable into one Ordinary share of Willi-Food 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 dividend and etc.

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

- (1) One-third (1/3) – within 12 months of their allocation (“the record date”) to 36 months after the record date.
- (2) One-third (1/3) – within 24 months after the record date to 48 months after the record date.
- (3) One-third (1/3) – within 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.

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

The effect on the Company’s consolidated income as of the reporting date was approximately NIS 182 thousand.

28. CHARGES AND SECURITIES

The liabilities of the Company and Willi-Food to banks for overdraft, on-call loans, documentary credit and bank-guaranteed suppliers’ credit in respect of import of food products that as of December 31, 2013 are guaranteed by floating charges on the share capital, goodwill, all Company’s asset and insurance rights amounted to NIS 14,237 thousand (2012 – NIS 47,299 thousand, 2011 – NIS 12,206 thousand).

	2013	December 31, 2012	2011
		<i>NIS in thousands</i>	
The Group’s secured liabilities:			
Overdraft	254	10,189	243
On-call loans	–	23,230	–
Documentary credit	13,983	13,880	–

29. EVENTS AFTER THE REPORTING DATE

On March 2, 2014, the controlling shareholders, Messrs. Joseph Williger and Zvi Williger, informed the Company that they and private companies under their control signed an agreement with Emblaze Ltd. (“Emblaze”) in the context of which, subject to predetermined conditions, Emblaze is to purchase 7,722,297 Ordinary shares of the Company of NIS 1 par value each, representing about 58.04% of the Company’s issued and outstanding share capital and about 58.62% of its voting rights (about 55.16% of the equity interests in the Company and about 55.69% of the voting rights in the Company on a fully diluted basis) in consideration of approximately NIS 268 million, reflecting approximately NIS 34.71 per Company share. The agreement is subject to the receipt of the approval of the Anti-trust Commissioner.



Independent Auditors' Report on Review of Interim Financial Information

Board of Directors
Willi-Food Investments Ltd.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Willi-Food Investments Ltd. ("the Company") as at March 31, 2014, the condensed consolidated statements of profit or loss and comprehensive income and the statement of changes in equity and cash flows for the three month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 March 31, 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

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

Tel Aviv, Israel
May 28, 2014

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014	December 31, 2013	December 31, 2013
	NIS in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	70,037	68,070	45,895
Financial assets carried at fair value through profit or loss	205,685	206,066	176,976
Trade receivables	105,601	83,986	82,963
Other receivables and prepaid expenses	3,473	2,365	3,582
Investment in a fund designated at fair value through profit or loss	15,180	1,096	9,349
Inventories	53,526	43,874	54,036
Loan carried at fair value through profit or loss	–	–	65,300
Total current assets	453,502	405,457	438,101
NON-CURRENT ASSETS:			
Property, plant and equipment			
Cost	67,851	65,216	67,323
Less – accumulated depreciation	25,978	22,326	25,811
	41,873	42,890	41,512
Long-term prepaid expenses	30	508	51
Goodwill	1,223	1,223	1,223
Deferred taxes	–	245	–
Total non-current assets	43,126	44,866	42,786
Total assets	496,628	450,323	480,887

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014	December 31, 2013	December 31, 2013
	NIS in thousands		
	Unaudited		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Short-term bank debt and others	2,884	250	254
Current maturities of debentures	12,819	12,818	12,819
Trade payable	21,823	18,442	20,353
Dividend declared	–	6,900	–
Other accounts payable	4,218	5,016	5,332
Current tax liability	445	1,796	440
Employees benefits	2,144	1,761	1,879
Total current liabilities	44,333	46,983	41,077
NON-CURRENT LIABILITIES:			
Retirement benefit obligation	606	581	644
Debentures	12,703	25,378	12,681
Deferred tax	1,729	–	926
Total non-current liabilities	15,038	25,959	14,251
EQUITY:			
Share capital	14,894	14,174	14,894
Additional paid in capital	131,512	113,843	131,512
Payments on account of options	1,585	–	1,585
Capital reserve for transactions with non-controlling interests	7,150	7,438	7,150
Foreign currency translation reserve	417	367	424
Capital reserve for remeasurement of net defined benefit obligation	(15)	–	–
Retained earnings	129,597	102,411	121,572
Cost of Company's shares held by subsidiary	(2,121)	(2,121)	(2,121)
Total attributable to equity holders of the Company	283,019	236,112	275,016
Non-controlling interests	154,238	141,269	150,543
Total equity	437,257	377,381	425,559
Total liabilities and equity	496,628	450,323	480,887

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

May 28, 2014			
Date of approval of the financial statements	Yosef Williger Chairman of the Board	Gil Hochboim Chief Executive Officer	Raviv Segal Chief Finance Officer

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Three months ended March 31, 2014		Year ended December 31, 2013
	NIS in thousands		
	Unaudited		
Revenues from sales	95,114	90,695	336,726
Cost of sales	73,660	69,263	252,825
Gross profit	21,454	21,432	83,901
Selling and marketing expenses	10,186	7,601	35,373
General and administrative expenses	5,277	4,889	19,927
Other income, net	(147)	–	(54)
	15,316	12,490	55,246
Operating income	6,138	8,942	28,655
Finance income	9,090	11,128	38,825
Finance expenses	490	1,655	3,318
Finance income, net	8,600	9,473	35,507
Income before taxes on income	14,738	18,415	64,162
Taxes on income	3,659	2,670	10,017
Net income for the period	11,079	15,745	54,145
Attributable to:			
Non-controlling interests	3,054	3,324	12,559
Equity holders of the Company	8,025	12,421	41,586
Net income for the period	11,079	15,745	54,145

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Three months ended March 31, 2014		Year ended December 31, 2013
	NIS in thousands Unaudited		
Earnings per share (in NIS) attributable to equity holders of the Company:			
Basic earnings per share:			
From continuing operations	0.61	1.00	3.32
Basic earnings per share	<u>0.61</u>	<u>1.00</u>	<u>3.32</u>
Diluted earnings per share:			
From continuing operations	0.61	1.00	3.32
Diluted earnings per share	<u>0.61</u>	<u>1.00</u>	<u>3.32</u>
Number of shares used in the calculation of:			
Basic earnings per share	<u>13,173,708</u>	<u>12,421,000</u>	<u>12,527,720</u>
Diluted earnings per share	<u>13,177,042</u>	<u>12,443,859</u>	<u>12,535,833</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31, 2014		Year ended December 31, 2013
	NIS in thousands		
	Unaudited		
Net income for the period	11,079	15,745	54,145
Other comprehensive income (loss):			
Translation differences for foreign operations that may be reclassified subsequently to profit or loss	(12)	50	144
Capital reserve for remeasurement of net defined benefit obligation that will not be reclassified subsequently to profit or loss	(25)	—	—
Other comprehensive income (loss) for the period	(37)	50	144
Total net comprehensive income for the period	11,042	15,795	54,289
Total net comprehensive net income for the period attributable to:			
Equity holders of the Company	8,003	12,449	41,671
Non-controlling interests	3,039	3,346	12,618
	11,042	15,795	54,289

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three months ended March 31, 2014 (unaudited)

	Share capital	Additional paid in capital	Payments on account of options	Capital reserve for trans- actions with non- controlling interests	Foreign currency translation reserve	Capital reserve for remeasure- ment of net defined benefit obligation	Retained earnings	Cost of Company's shares held by subsidiary	Total attribu- table to equity holders of the Company	Non- controlling interests	Total
	NIS in thousands										
Balance as of January 1, 2014	14,894	131,512	1,585	7,150	424	–	121,572	(2,121)	275,016	150,543	425,559
Movement in the reporting period (unaudited):											
Net income for the period	–	–	–	–	–	–	8,025	–	8,025	3,054	11,079
Remeasurement of net defined benefit obligation	–	–	–	–	–	(15)	–	–	(15)	(10)	(25)
Currency translation differences	–	–	–	–	(7)	–	–	–	(7)	(5)	(12)
Total comprehensive income for the period	–	–	–	–	(7)	(15)	8,025	–	8,003	3,039	11,042
Compensation relating to allocation of options to employees	–	–	–	–	–	–	–	–	–	656	656
Balance as of March 31, 2014	<u>14,894</u>	<u>131,512</u>	<u>1,585</u>	<u>7,150</u>	<u>417</u>	<u>(15)</u>	<u>129,597</u>	<u>(2,121)</u>	<u>283,019</u>	<u>154,238</u>	<u>437,257</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three months ended March 31, 2013 (unaudited)

	Share capital	Additional paid in capital	Capital reserve for trans- actions with non- controlling interests	Foreign currency trans- lation reserve NIS in thousands	Retained earnings	Cost of Company's shares held by subsidiary	Total attribu- table to equity holders of the Company	Non- controlling interests	Total
Balance as of January 1, 2013	14,146	113,585	7,294	339	96,890	(2,121)	230,133	138,653	368,786
Movement in the reporting period (unaudited):									
Net income for the period	–	–	–	–	12,421	–	12,421	3,324	15,745
Currency translation differences	–	–	–	28	–	–	28	22	50
Total comprehensive income for the period	–	–	–	28	12,421	–	12,449	3,346	15,795
Purchase of shares from non-controlling interests in subsidiary	–	–	144	–	–	–	144	(732)	(588)
Exercise of options into shares	28	255	–	–	–	–	283	–	283
Dividend declared	–	–	–	–	(6,900)	–	(6,900)	–	(6,900)
Compensation relating to allocation of options to employees	–	3	–	–	–	–	3	2	5
Balance as of March 31, 2013	14,174	113,843	7,438	367	102,411	(2,121)	236,112	141,269	377,381

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2013

	Share capital	Additional paid in capital	Capital reserve for transactions with non-controlling interests	Payments on account of options	Foreign currency translation reserve	Retained earnings	Cost of Company's shares held by subsidiary	Total attributable to equity holders of the Company	Non-controlling interests	Total
					NIS in thousands					
Balance as of January 1, 2013	14,146	113,585	7,294	–	339	96,890	(2,121)	230,133	138,653	368,786
Movement in the reporting year:										
Net income for the year	–	–	–	–	–	41,586	–	41,586	12,559	54,145
Currency translation differences	–	–	–	–	85	–	–	85	59	144
Total comprehensive income for the year	–	–	–	–	85	41,586	–	41,671	12,618	54,289
Purchase of shares from non-controlling interests in subsidiary	–	–	(144)	–	–	–	–	(144)	(732)	(876)
Issue of shares in the Company's private placement (less issue expenses of NIS 400 thousand)	690	17,400	–	–	–	–	–	18,090	–	18,090
Issue of options	–	–	–	1,585	–	–	–	1,585	–	1,585
Exercise of options into shares	58	522	–	–	–	–	–	580	–	580
Compensation relating to allocation of options to employees	–	5	–	–	–	–	–	5	4	9
Dividend paid	–	–	–	–	–	(16,904)	–	(16,904)	–	(16,904)
Balance as of December 31, 2013	14,894	131,512	7,150	1,585	424	121,572	(2,121)	275,016	150,543	425,559

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2014		Year ended December 31, 2013
	NIS in thousands		
	Unaudited		
Cash flows from operating activities:			
Net income for the period	11,079	15,745	54,145
Adjustments to reconcile net income to net cash generated by (used in) operating activities (appendix A)	(27,539)	(21,336)	(50,544)
Net cash generated by (used in) operating activities	(16,460)	(5,591)	3,601
Cash flows from investing activities:			
Investment in other long-term receivables	–	(445)	(445)
Purchase of property, plant and equipment	(1,829)	(4,395)	(6,080)
Proceeds from sale of property, plant and equipment	747	–	29
Sale (purchase) of financial assets at fair value through profit or loss, net	(21,414)	51,968	103,836
Maturity of (investment in) loan designated at fair value through profit or loss	65,400	–	(65,000)
Investment in a fund designated at fair value through profit or loss	(4,932)	–	(6,865)
Net cash generated by investing activities	37,972	47,128	25,475
Cash flows from financing activities:			
Redemption of debentures	–	–	(13,020)
Overdraft, net	2,630	(9,939)	(9,935)
Proceeds (repayment) of on-call loans	–	(23,230)	(23,230)
Dividends paid	–	–	(16,904)
Purchase of shares from non-controlling interests in subsidiary	–	(878)	(878)
Proceeds from private placement of shares and options	–	–	19,675
Proceeds from exercise of Company's options	–	49	580
Net cash generated by (used in) financing activities	2,630	(33,998)	(43,712)
Increase (decrease) in cash and cash equivalents	24,142	7,539	(14,636)
Cash and cash equivalents at beginning of period	45,895	60,531	60,531
Cash and cash equivalents at end of period	70,037	68,070	45,895

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2014		Year ended December 31, 2013
	NIS in thousands		
	Unaudited		
Appendix A – Adjustments to reconcile net income to net cash generated by (used in) operating activities:			
Income and expenses not involving cash flows:			
Depreciation and amortization	909	1,031	4,541
Revaluation of debentures	22	31	355
Revaluation of loan designated at fair value through profit or loss	(100)	–	(300)
Capital gain from sale of property, plant and equipment	(188)	–	(29)
Deferred taxes, net	803	(225)	946
Increase in value of financial assets at fair value through profit or loss	(7,295)	(9,617)	(32,395)
Expenses relating to employees' options	475	–	–
Increase in value of investment in a fund designated at fair value through profit or loss	(899)	(19)	(1,407)
	<u>(6,273)</u>	<u>(8,799)</u>	<u>(28,289)</u>
Changes in asset and liability items:			
Decrease (increase) in inventories	510	5,457	(4,705)
Increase in trade receivables	(22,638)	(12,612)	(11,589)
Decrease in other accounts receivable and other current assets	97	4,744	3,406
Decrease in long-term receivables	21	–	12
Increase (decrease) in trade payables	1,470	(9,002)	(7,091)
Decrease in other accounts payable and other current liabilities	(726)	(1,124)	(2,288)
	<u>(21,266)</u>	<u>(12,537)</u>	<u>(22,255)</u>
	<u>(27,539)</u>	<u>(21,336)</u>	<u>(50,544)</u>
Additional information:			
Interest payments	<u>283</u>	<u>532</u>	<u>1,840</u>
Tax payments	2,447	2,165	8,731

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. Willi-Food Investments Ltd. (“the Company”) was incorporated in Israel. Its offices are located at the northern industrial zone of Yavne, Israel and it is mainly engaged in the import, export and distribution of food products through a subsidiary, G. Willi-Food International Ltd. (“Willi-Food”).

The Company’s securities are listed for trade on the TASE.

- b. These financial statements should be read in conjunction with the Company’s annual financial statements as of December 31, 2013 and for the year then ended and accompanying notes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the financial statements:

The condensed consolidated financial statements (“interim financial statements”) of the Group have been prepared in accordance with IAS 34, “Interim Financial Reporting”.

In the preparation of these interim financial statements, the Group adopted accounting policies, presentation principles and computation methods that are consistent with those followed in the preparation of the financial statements as of December 31, 2013 and for the year then ended, except for changes in accounting policies resulting from the application of new standards, amendments to standards and interpretations that became effective as of the date of the financial statements, as detailed in Note 3 below.

- b. The condensed consolidated financial statements have been prepared in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.
- c. Taxes on income in the interim financial statements:

Income tax expenses (income) for the periods presented comprise the sum of current taxes and the sum of the change in deferred tax balances, except where deferred taxes arise from transactions that are recognized directly in equity and business combination transactions.

Interim period current tax expense (income) is accrued using the average annual effective income tax rate. For the computation of the effective income tax rate, tax losses in respect of which no deferred tax assets have been recognized and which are expected to reduce the tax liability in the reporting year are deducted.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**d. Exchange rates and linkage basis:**

1. Balances in or linked to foreign currency are included in the financial statements at the representative exchange rates published by the Bank of Israel in effect at the end of the reporting period.
2. Balances linked to the Israeli CPI are presented according to the last known index at the end of the reporting period or according to the actual index for the last month of the reporting period according to the terms of the transaction.
3. Below are data about the exchange rate of the dollar and the Israeli CPI:

	<i>Representative exchange rate of dollar NIS 1 per US\$ 1</i>	<i>Israeli CPI *)</i>	
		<i>Known</i>	<i>Actual</i>
		<i>Points</i>	
Date of financial statements:			
March 31, 2014	3.49	113.63	113.29
March 31, 2013	3.65	111.95	112.18
December 31, 2013	3.47	114.07	114.18
Change in percentages		%	
Three months period ended:			
March 31, 2014	0.58	(0.39)	(0.78)
March 31, 2013	(2.14)	–	0.03
Year ended December 31, 2013	(5.97)	1.90	1.81

*) The CPI on the basis of the average index for 2008.

NOTE 3:- NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS ISSUED

Amendment to IAS 32, “Financial Instruments: Presentation” (offsetting financial assets and financial liabilities):

The Amendment determines that in order to meet the condition of offsetting an asset and financial liability, the right of set-off can not be contingent on a future event and it must be enforceable in the normal course of business and in the event of bankruptcy, insolvency or default. Also, the net settlement condition may occur even if actually the settlement is in gross if does not leave significant credit risk or liquidity risk and if the amounts due and amounts payable are part of a single settlement process. The Amendment is effective retrospectively for annual reporting periods beginning on or after January 1, 2014.

IAS 36, “Impairment of Assets”:

The Amendment clarifies the limitation and requirement to disclose assets (including goodwill) or cash generating unit in which an impairment loss has been recognized (or reversed) and it also determines that the disclosure requirements applicable when the recoverable amount of an asset or cash generating units is determined on the basis of fair value will be substantially similar to the disclosure requirements for fair value measurements under IFRS 13, “Fair value Measurement”.

The Amendment applies retrospectively for annual reporting periods beginning on January 1, 2014.

NOTE 4:- 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 amortized cost in the financial statements approximates their fair value.

Financial liabilities:

	<i>Carrying amount</i>			<i>Fair value *)</i>		
	<i>March 31, 2014</i>	<i>December 31, 2013</i>	<i>March 31, 2013</i>	<i>March 31, 2014</i>	<i>December 31, 2013</i>	<i>March 31, 2013</i>
	<i>NIS in thousands</i>					
	<i>Unaudited</i>			<i>Unaudited</i>		
Debentures	25,522	38,196	25,500	26,232	40,068	26,253

*) Less balances held by Willi-Food.

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

Financial assets at fair value:

	March 31, 2014 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted securities	203,302	2,383	–	205,685
Investment in fund	–	15,180	–	15,180
Total	203,302	17,563	–	220,865

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. On November 27, 2013, Willi-Food entered into a loan agreement with Newco ("the loan agreement") according to which Willi-Food will give Newco a loan of NIS 65 million ("the loan") that will be deposited according to the trust agreement between Willi-Food and Newco trustee ("the investors trustee") and that may be fully converted into shares of IDB Holdings Company Ltd. ("IDB Holdings") or into shares of IDB Development Company Ltd. ("the conversion shares") to be held by Newco in proportion to the loan amount and the amount injected by Newco under the arrangement plan between IDB Holdings and its creditors ("the arrangement plan") which was submitted to the Court pursuant to section 350 to the Companies Law, 1999 ("the Companies Law").

According to the loan agreement, this is a "bullet" loan (principal, linkage differences and interest) extended for the shorter of a period of one year from the date of deposit or for a period of six months from the date of completion as determined in the arrangement plan ("the original repayment date"). The loan shall be linked to the Israeli CPI published on November 15, 2013 and shall bear interest at the annual rate of 5% compounded from the date of deposit to the relevant date of repayment. According to the terms of the loan agreement, if the Court does not approve the arrangement plan or if the suspending conditions do not give rise to the arrangement plan, the loan will be paid off and returned to Willi-Food before the original repayment date including linkage differences and interest.

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

Considering the decision of the Tel-Aviv District Court from December 17, 2013 regarding the approval of the creditors' composition of IDB Holdings ("the Court's decision"), Willi-Food addressed the investors trustee and demanded to transfer to its disposal the loan principal in line with the trust agreement and the Court's decision.

On December 31, 2013, at the request of Willi-Food, the investors trustee addressed the officer in the capacity of the trust agreement, Adv. Hagai Ullman ("Ullman"), and informed that on December 29, 2013 it received a demand from Willi-Food to immediately transfer to Willi-Food the loan principal of NIS 65 million which Willi-Food made available to Newco and which was deposited in trust with the investors trustee. According to this demand, Ullman is requested to give its written approval to the investors trustee and to the Trust Company of Bank Leumi Le'Israel Ltd. (or, alternatively, not to give the approval) to act to release the above amount that is in trust considering the provisions of section 4.2.2 to the trust agreement, the Court's decision and that December 31, 2013 is the deferred date for presenting the examination report by the observer appointed by Court.

On January 12, 2014, the loan principal was returned to Willi-Food. On January 14, 2014, Willi-Food received the interest on the loan.

- b. On March 2, 2014, the controlling shareholders, Messrs. Joseph Williger and Zvi Williger, informed the Company that they and private companies under their control signed an agreement with Emblaze Ltd. ("Emblaze") in the context of which, subject to predetermined conditions, Emblaze is to purchase 7,722,297 Ordinary shares of the Company of NIS 1 par value each, representing about 58.04% of the Company's issued and outstanding share capital and about 58.62% of its voting rights (about 55.16% of the equity interests in the Company and about 55.69% of the voting rights in the Company on a fully diluted basis) in consideration of approximately NIS 268 million, reflecting approximately NIS 34.71 per Company share ("the agreement"). The agreement is subject to the receipt of the approval of the Anti-trust Commissioner.

On March 26, 2014, the Anti-trust Commissioner granted his approval to the transaction to sell the controlling stake.

See also Note 7 (Events After the Reporting Period).

NOTE 6:- SEGMENT REPORTING

- a. General:

Since January 1, 2009, the Group applies IFRS 8, "Operating Segments" ("IFRS 8"). According to the provisions of IFRS 8, operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker for the purpose of resource allocation and assessment of operating segment performance.

In 2014, the Group's operating segment under IFRS 8 was the import segment only. The import segment earns its revenues from importing, producing and marketing food products to retail chains, supermarkets, wholesalers, institutional market and etc.

- b. Revenues from major customers:

Revenues from a major customer that contributed 10% or more to the Company's total revenues in the three months ended March 31, 2014 and 2013 amounted to approximately NIS 18,987 thousand and NIS 12,456 thousand, respectively.

NOTE 6:- SEGMENT REPORTING (Cont.)

c. Revenues from major groups of products:

	Three months ended March 31,				Year ended December 31,	
	2014		2013		2013	
	NIS in thousands	% Unaudited	NIS in thousands	%	NIS in thousands	%
Canned vegetables	17,272	18	15,402	17	56,543	21
Dairy and dairy substitute products	21,324	22	19,829	22	70,317	26
Dried fruit, nuts and beans	14,054	15	16,885	19	29,088	9

NOTE 7:- EVENTS AFTER THE REPORTING PERIOD

- a. On April 6, 2014, Emblaze Ltd. ("Emblaze") published a special tender offer for the acquisition of 658,685 Ordinary shares of the Company (as amended on April 7, 2014) in the framework of the transaction to sell the controlling stake.
- b. On April 28, 2014, Emblaze informed the Company that the special tender offer was fully accepted.
- c. May 4, 2014 was the record date to sell the controlling stake, as defined in the agreement, and commencing that day Emblaze is the controlling shareholder in the Company and holds 8,203,371 Ordinary shares of the Company which constitute about 61.65% of the Company's issued and outstanding share capital and about 62.21% of its voting rights. Also, on that date directors on its behalf were appointed ("the new directors"). It was further decided that after the Company's compensation committee and Board give their approval, some of the new directors would be granted annual compensation and compensation for each meeting attended in the standard amount at the Company. Also, subject to receiving the approval of the general meeting, it was decided to grant the new directors deed of indemnity and deed of exemption from liability and to add them to the directors and officers liability insurance policy.

PART 5

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Group is presented below to illustrate the effect of the Acquisition on the Group's financial position and results. It has been compiled using the Group's consolidated financial statements as of and for the three months ended 31 March 2014 and for the year ended 31 December 2013, adjusted to illustrate the pro forma effect of the Acquisition as if, for the purpose of the pro forma statement of financial position, it had occurred on 31 March 2014 and, for the purpose of the pro forma statements of profit or loss and other comprehensive income, it had occurred on 1 January 2013.

The accounting policies to be adopted by the Group in its annual consolidated financial statements for 2014 are consistent with those accounting policies applied by the Group and by the WFI Group in preparing their historical consolidated financial statements for 2013 set out, or referred to, in Part 3 and Part 4, respectively, to this document. The unaudited pro forma financial information has been prepared on a basis consistent with those policies, which are in accordance with International Financial Reporting Standards as adopted by the European Union, on the basis set out in the notes below, and in accordance with Annex II to the Commission Regulation (EC) No. 809/2004.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Company's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

Pro forma statement of financial position as of 31 March 2014

		Adjustments			
	As of 31 March 2014 (Note 1)	Consideration for Acquisition (Note 2)	Consolidation (Note 3)	Fair value adjustments (Note 4)	Pro forma statement of financial position
		U.S. Dollars in thousands			
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	15,195	(150)	20,254	–	35,299
Short-term deposits	41,301	–	–	–	41,301
Short-term deposits held in trust	82,425	(82,342)	–	–	83
Financial assets carried at fair value					
through profit or loss	–	–	59,481	–	59,481
Available for sale financial assets	230	–	–	–	230
Trade receivables	–	–	30,538	–	30,538
Other receivables and prepaid expenses	710	–	1,004	–	1,714
Investment in a fund designated at fair					
value through profit or loss	–	–	4,390	–	4,390
Inventories	–	–	15,479	–	15,479
Total current assets	139,861	(82,492)	131,146	–	188,515
NON-CURRENT ASSETS:					
Property, plant and equipment, net	64	–	12,109	2,371	14,544
Prepaid expenses	–	–	9	–	9
Intangible assets:					
Customer relationships	–	–	–	6,577	6,577
Supplier relationships	–	–	–	3,914	3,914
Brands	–	–	–	1,800	1,800
Non-competition agreements	–	–	–	1,375	1,375
Goodwill	–	–	–	25,725	25,725
Total non-current assets	64	–	12,118	41,762	53,944
Total assets	139,925	(82,492)	143,264	41,762	242,459

		Adjustments			
	As of 31 March 2014 (Note 1)	Consideration for Acquisition (Note 2)	Consolidation (Note 3)	Fair value adjustments (Note 4)	Pro forma statement of financial position
		U.S. Dollars in thousands			
EQUITY AND LIABILITIES					
CURRENT LIABILITIES:					
Short-term bank debt	–	–	834	–	834
Current maturities of debentures	–	–	3,707	–	3,707
Trade payables	323	–	6,311	–	6,634
Other accounts payable and deferred revenues	1,520	–	1,220	–	2,740
Income tax liability	–	–	129	–	129
Employee benefit liabilities, net	–	–	620	–	620
Financial liability for non – controlling interest put option	–	5,945	–	–	5,945
Total current liabilities	1,843	5,945	12,821	–	20,609
NON-CURRENT LIABILITIES:					
Employee benefit liabilities, net	41	–	175	–	216
Liability for non- competition payments	–	1,555	–	–	1,555
Debentures	–	–	3,674	337	4,011
Deferred taxes	–	–	500	4,161	4,661
Total non-current liabilities	41	1,555	4,349	4,498	10,443
EQUITY:					
Share capital	416	–	–	–	416
Share premium	469,927	–	–	–	469,927
Treasury shares	(76,962)	–	–	–	(76,962)
Available for sale reserve	148	–	–	–	148
Accumulated deficit	(255,048)	(150)	–	–	(255,198)
Equity attributable to Company’s equity holders	138,481	(150)	–	–	138,331
Non-controlling interests	(440)	–	71,762	1,754	73,076
Total equity	138,041	(150)	71,762	1,754	211,407
Total liabilities and equity	139,925	7,350	88,932	6,252	242,459

Notes:

- (1) The financial information in respect of the Group is extracted without material adjustment from the financial statements as of 31 March 2014 incorporated by reference into this document.
- (2) Consideration for Acquisition

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

- The Company has granted the former controlling shareholders of WFI Group a put option to sell up to 504,407 shares of WFINT. The put option is exercisable for a period of four years commencing eleven months after the completion of the Acquisition at a price of USD 12 per share. The put option exercise price is subject to adjustment for dividends, bonus shares and rights issues by WFINT. The liability reflects the present value of the amount payable assuming exercise at the earliest permissible date of all the shares subject to the put option discounted at an annual rate of 2%.
- The liability for non-competition payment reflects the present value of an annual payment of NIS 1.5 million (USD 0.4 million to each of the two former controlling shareholders of WFI, for a period of two years subsequent to the termination of their service agreements with the Group).

Transaction costs of approximately USD 150 thousand that are directly attributable to the Acquisition are recorded as an increase in accumulated deficit in the statement of financial position.

- (3) Following the Acquisition, the Group consolidates the assets and liabilities of WFI Group, including adjustments to consolidate them at fair value.

The financial information in respect of the assets and liabilities of WFI Group is extracted without material adjustment (except for the elimination of goodwill in the amount of USD 353 thousand that is recorded in WFI Group and is not recognized in the business combination) from the financial statements as of 31 March 2014 included in Part 4 of this document (translated to USD at the rate of exchange on the date of the Acquisition - USD 1 = NIS 3.458). The amount of the non-controlling interests ("NCI") is calculated based on the NCI's direct and indirect interests in WFI Group as of the date of the Acquisition.

- (4) Adjustments are made to WFI Group's financial information to present assets acquired and liabilities assumed in the Acquisition at their fair value. The fair value adjustments detailed below are based on a purchase price allocation study prepared by an independent valuation specialist as of the date of the Acquisition. The purchase price allocation was prepared on the basis of an acquisition of 100% of the net assets of WFI Group. Deferred tax liability is recorded in respect of those fair value adjustments that result in taxable temporary differences.

The Company has elected to measure the non-controlling interests (NCI) in WFI Group at fair value. The fair value is based on the quoted market price of the shares on the date of Acquisition. The difference of USD 1,754 thousand between the NCI recorded upon consolidation (see Note 3) in the amount of USD 71,762 thousand and the fair value of the NCI in the amount of USD 73,516 thousand is recorded as a fair value adjustment.

	<i>Fair value</i>	<i>Book value</i>	<i>Fair value adjustments</i>
	<i>U.S. Dollars in thousands</i>		
Current assets	131,146	131,146	–
Non-current assets			
Property, plant and equipment, net	14,480	12,109	2,371
Prepaid expenses	9	9	–
Customer relationships	6,577	–	6,577
Supplier relationships	3,914	–	3,914
Brands	1,800	–	1,800
Non-competition agreements	1,375	–	1,375
Current liabilities	(12,821)	(12,821)	–
Non-current liabilities			
Employee benefit liabilities, net	(175)	(175)	–
Debenture	(4,011)	(3,674)	(337)
Deferred taxes	(4,661)	(500)	(4,161)
Total net assets	<u>137,633</u>	<u>126,094</u>	<u>11,539</u>

Goodwill is calculated as follows:

	<i>U.S. Dollars in thousands</i>
Total consideration (Note 2)	89,842
Fair value of net assets acquired	137,633
Non-controlling interests	(73,516)
	<u>64,117</u>
Goodwill	<u>25,725</u>

- (5) No other adjustments have been made to reflect trading or other transactions since 31 March 2014.

Pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	Adjustments						Adjustments arising from translating financial statements of foreign operation (Note 7)	Pro forma statement of profit or loss and other comprehensive income
	For the year ended 31 December 2013 (Note 1)	Consolidation (Note 2)	Fair value adjustments (Note 3)	Finance expense and income (Note 4)	Remuneration (Note 5)	Transaction costs (Note 6)		
Sales	1,882	93,256	–	–	–	–	–	95,138
Cost of sales	449	70,020	830	–	–	–	–	71,299
Gross profit (loss)	1,433	23,236	(830)	–	–	–	–	23,839
Research and development	1,562	–	–	–	–	–	–	1,562
Selling expenses	134	9,797	988	–	–	–	–	10,919
General and administrative expenses	7,095	5,519	–	–	60	150	–	12,824
Other expenses	–	(15)	–	–	–	–	–	(15)
Total operating expenses	8,791	15,301	988	–	60	150	–	25,290
Operating income (loss)	(7,358)	7,935	(1,818)	–	(60)	(150)	–	(1,451)
Finance income	5,208	10,753	–	(3,042)	–	–	–	12,919
Finance expenses	(846)	(919)	168	(166)	–	–	–	(1,763)
Income (loss) before taxes on income	(2,996)	17,769	(1,650)	(3,208)	(60)	(150)	–	9,705
Taxes on income	–	(2,774)	437	–	–	–	–	(2,337)
Income (loss) from continuing operations	(2,996)	14,995	(1,213)	(3,208)	(60)	(150)	–	7,368
Net income from discontinued operations	181	–	–	–	–	–	–	181
Net income (loss)	(2,815)	14,995	(1,213)	(3,208)	(60)	(150)	–	7,549
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:								
Gain (loss) from available-for-sale financial assets	(9)	40	–	–	–	–	–	31
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:								
Adjustments arising from translating financial statement of foreign operation	–	–	–	–	–	–	10,524	10,524
Remeasurement loss from defined benefit plans	(97)	–	–	–	–	–	–	(97)
Total other comprehensive income (loss)	(106)	40	–	–	–	–	10,524	10,458
Total comprehensive income (loss)	(2,921)	15,035	(1,213)	(3,208)	(60)	(150)	10,524	18,007
Net income (loss) attributable to:								
Equity holders of the Company	(2,746)	7,460	(455)	(3,208)	(24)	(150)	–	877
Non- controlling interests	(69)	7,535	(758)	–	(36)	–	–	6,672
Net income (loss)	(2,815)	14,995	(1,213)	(3,208)	(60)	(150)	–	7,549
Total comprehensive income (loss) attributable to:								
Equity holders of the Company	(2,852)	7,484	(455)	(3,208)	(24)	(150)	5,246	6,041
Non-controlling interests	(69)	7,551	(758)	–	(36)	–	5,278	11,966
Total comprehensive income (loss)	(2,921)	15,035	(1,213)	(3,208)	(60)	(150)	10,524	18,007

Notes:

- (1) The financial information in respect of the income and expenses of the Group is extracted without material adjustment from the financial statements for the year ended 31 December 2013 incorporated by reference into this document.
- (2) The financial information in respect of the income and expenses of WFI Group is extracted without material adjustment from the financial statements included in Part 4 of this document. The attribution of income and comprehensive income between equity holders of the Company and the non-controlling interests (“NCI”) is calculated based on the NCI’s direct and indirect interests in WFI Group as of the date of the Acquisition. This is a recurring adjustment.

(3) Fair value adjustments:

	<i>Cost of sales</i>	<i>Selling expense</i>	<i>Finance expense</i>	<i>Deferred tax benefit</i>
		<i>U.S. Dollars in thousands</i>		
Depreciation of property, plant and equipment	47	–	–	(12)
Amortisation of customer relationships	–	731	–	(194)
Amortisation of brands	–	257	–	(68)
Amortisation of supplier relationships	783	–	–	(207)
Debenture	–	–	(168)	44
	<u>830</u>	<u>988</u>	<u>(168)</u>	<u>(437)</u>

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

Customer relationships 9 years

Supplier relationships 5 years

Brands 7 years

The above amortisation is a recurring adjustment.

Property, plant and equipment are depreciated over their estimated useful life and the depreciation expense is included in cost of sales.

Deferred tax benefit adjustment arises from the release of the deferred tax liability as the related intangible assets are amortised. This is a recurring adjustment.

The fair value of the non-competition agreements were based on a non-competition period of two years commencing three years after the Acquisition date as the individuals subject to the non-competition agreements have management service agreements with WFI Group (subject to shareholder approval) for a period of three years from the date of the Acquisition. The non-competition agreements are therefore not amortised in the year following acquisition as the individuals subject to these agreements are assumed to be providing services to the WFI Group.

The fair value adjustment of the debenture is amortised over the remaining period to its maturity. This is a recurring adjustment.

(4) Finance expense and income adjustments:

- (a) Finance expense in the amount of USD 108 thousand represents the unwinding of the discount over the period until the expected date of settlement of the liability for the non-controlling interest put option. This is a recurring adjustment.
- (b) Finance expense in the amount of USD 58 thousand represents the unwinding of the discount over the period until the expected date of settlement of the liability for non-competition liability. This is a recurring adjustment.
- (c) Decrease in finance income represents the estimated amount of income the Group generated in 2013 in respect of the cash used (USD 82,342 thousand) as consideration for the acquisition. This is a recurring adjustment.

(5) Remuneration adjustment:

Remuneration adjustment represents the modification pursuant to the Acquisition agreement of the terms of unvested share options held by the controlling shareholders. The remuneration adjustment is based on the fair value of the modification for the entire vesting period (three years) of the options in the amount of USD 1,408 thousand as calculated by the independent valuation specialist on the date of the Acquisition. The remuneration adjustment for 2013 in the amount of USD 60 thousand is calculated for the period the options were outstanding commencing from the date the options were granted in November 2013. This is a recurring adjustment.

- (6) Transaction costs of approximately USD 150 thousand that are directly attributable to the Acquisition are recorded as an expense in profit or loss. This is a non-recurring adjustment.
- (7) Translation differences arising from the translation of the assets and liabilities of WFI Group from NIS to USD as of the rates of exchange on 1 January 2013 and 31 December 2013 and the translation of the income and expenses of WFI Group from NIS to USD using an average exchange rate for the year ended 31 December 2013. This is a recurring adjustment but the amount will vary depending on the actual rates of exchange.
- (8) No other adjustments have been made to reflect trading or other transactions since 31 December 2013.

Pro forma statement of profit or loss and other comprehensive income for the three months ended 31 March 2014.

	Adjustments					Adjustments arising from translating financial statements of foreign operation (Note 6)	Pro forma statement of profit or loss and other comprehensive income
	For the three months ended 31 March 2014 (Note 1)	Consolidation (Note 2)	Fair value adjustments (Note 3)	Finance expenses and income (Note 4)	Remuneration (Note 5)		
			U.S. Dollars in thousands				
Sales	28	27,196	–	–	–	–	27,224
Cost of sales	28	21,062	208	–	–	–	21,298
Gross profit (loss)	–	6,134	(208)	–	–	–	5,926
Research and development	317	–	–	–	–	–	317
Selling expenses	–	2,913	247	–	–	–	3,160
General and administrative expenses	1,468	1,509	–	–	179	–	3,156
Other expenses	–	(42)	–	–	–	–	(42)
Total operating expenses	1,785	4,380	247	–	179	–	6,591
Operating income (loss)	(1,785)	1,754	(455)	–	(179)	–	(665)
Finance income	911	2,599	–	(531)	–	–	2,979
Finance expenses	(12)	(140)	42	(15)	–	–	(125)
Income (loss) before taxes on income	(886)	4,213	(413)	(546)	(179)	–	2,189
Taxes on income	–	(1,046)	109	–	–	–	(937)
Net income (loss)	(886)	3,167	(304)	(546)	(179)	–	1,252
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:							
Gain (loss) from available-for-sale financial assets	25	(3)	–	–	–	–	22
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:							
Adjustments arising from translating financial statement of foreign operation	–	–	–	–	–	(701)	(701)
Remeasurement loss from defined benefit plans	–	(7)	–	–	–	–	(7)
Total other comprehensive income (loss)	25	(10)	–	–	–	(701)	(686)
Total comprehensive income (loss)	(861)	3,157	(304)	(546)	(179)	(701)	566
Net income (loss) attributable to:							
Equity holders of the Company	(859)	1,502	(114)	(546)	(71)	–	(88)
Non- controlling interests	(27)	1,665	(190)	–	(108)	–	1,340
Net income (loss)	(886)	3,167	(304)	(546)	(179)	–	1,252
Total comprehensive income (loss) attributable to:							
Equity holders of the Company	(834)	1,496	(114)	(546)	(71)	(353)	(422)
Non- controlling interests	(27)	1,661	(190)	–	(108)	(348)	988
Total comprehensive income (loss)	(861)	3,157	(304)	(546)	(179)	(701)	566

Notes:

- (1) The financial information in respect of the income and expenses of the Group is extracted without material adjustment from the financial statements as of 31 March 2014 incorporated by reference into this document.
- (2) The financial information in respect of the income and expenses of WFI Group is extracted without material adjustment from the financial statements included in Part 4 of this document. The attribution of income and comprehensive income between equity holders of the Company and the non-controlling interests (“NCI”) is calculated based on the NCI’s direct and indirect interests in WFI Group as of the date of the Acquisition. This is a recurring adjustment.

WFI Group operating results may be subject to variations from quarter to quarter depending on, among others, the timing of sales campaigns and major Jewish holidays. Therefore the operating results of WFI Group in the three months ended 31 March 2014 are not necessarily indicative of its operating results for the entire year.

(3) Fair value adjustments:

	<i>Cost of sales</i>	<i>Selling expense</i>	<i>Finance expense</i>	<i>Deferred tax benefit</i>
	<i>U.S. Dollars in thousands</i>			
Depreciation of property, plant and equipment	12	–	–	(3)
Amortisation of customer relationships	–	183	–	(48)
Amortisation of brands	–	64	–	(17)
Amortisation of supplier relationships	196	–	–	(52)
Debtenture	–	–	(42)	11
	<u>208</u>	<u>247</u>	<u>(42)</u>	<u>(109)</u>

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

Customer relationships 9 years

Supplier relationships 5 years

Brands 7 years

The above amortisation is a recurring adjustment.

Property, plant and equipment are depreciated over their estimated useful life and the depreciation expense is included in cost of sales.

Deferred tax benefit adjustment arises from the release of the deferred tax liability as the related intangible assets are amortised. This is a recurring adjustment.

The fair value of the non-competition agreements were based on a non-competition period of two years commencing three years after the Acquisition date as the individuals subject to the non-competition agreements have management service agreements with WFI Group (subject to shareholder approval) for a period of three years from the date of the Acquisition. The non-competition agreements are therefore not amortised in the year following acquisition as the individuals subject to these agreements are assumed to be providing services to the WFI Group.

The fair value adjustment of the debtenture is amortised over the remaining period to its maturity. This is a recurring adjustment.

(4) Finance expense and income adjustments:

(a) Finance expense in the amount of USD 15 thousand represents the unwinding of the discount over the period until the expected date of settlement of the liability for non-competition liability. This is a recurring adjustment.

(b) Decrease in finance income represents the estimated amount of income the Group generated for a period of three months in 2013 in respect of the cash used (USD 82,342 thousand) as consideration for the acquisition. This is recurring adjustment.

(5) Remuneration adjustment:

Remuneration adjustment represents the modification pursuant to the Acquisition agreement of the terms of unvested share options held by the controlling shareholders. The remuneration adjustment is based on the fair value of the modification for the entire vesting period (three years) of the options in the amount of USD 1,408 thousand as calculated by the independent valuation specialist on the date of the Acquisition. The remuneration adjustment in the amount of USD 179 thousand is calculated for a period of three months. This is a recurring adjustment.

(6) Translation differences arising from the translation of the assets and liabilities of WFI Group from NIS to USD as of the rates of exchange on 1 January 2014 and 31 March 2014 and the translation of the income and expenses of WFI Group from NIS to USD using an average exchange rate for the three months ended 31 March 2014. This is a recurring adjustment but the amount will vary depending on the actual rates of exchange.

(7) No other adjustments have been made to reflect trading or other transactions since 31 March 2014.

The Board of Directors
Emblaze Ltd.
132 Menachem Begin Road
Azrieli Center
Tel Aviv 6702301, Israel

29 July 2014

Dear Sirs,

We report on the *pro forma* statement of financial position as of 31 March 2014 and the *pro forma* statements of profit or loss and other comprehensive income for the three months ended 31 March 2014 and for the year ended 31 December 2013 (together, the “Pro Forma Financial Information”) set out in Part 5 of the Prospectus dated 29 July 2014, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented on the basis of the accounting policies to be adopted by Emblaze Ltd. (the “Company”) in preparing the financial statements for the year ending 31 December 2014. This report is required by item 20.2 of Annex I of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has

been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2) (f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully,

KOST FORER GABBAY & KASIERER

A Member of Ernst & Young Global

PART 6

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

1. CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the “**UK Corporate Governance Code**”) sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise ‘independent’ non-executive directors being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director’s judgement.

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

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

- an employment relationship;
- a business or professional relationship, even if not maintained on a regular basis (but excluding a *de minimis* 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. A person may furthermore not continue to serve as an External Director if he or she accepts, during his or her tenure as an External Director, direct or indirect compensation from the company for his or her role as a director, other than amounts prescribed under the Israeli Companies Law regulations (as described below) or indemnification, the company’s undertaking to indemnify such person, exemption and insurance coverage. If, at the time of election of an External Director, all other directors who are not the company’s controlling persons or their relatives are of the same gender, the External Director to be elected must be of the other gender.

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

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

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

The directors of the Company support high standards of corporate governance. As at the date of this document, and on Admission, the Company will comply with the UK Corporate Governance Code. The Company’s board of directors currently comprises one executive director and five non-executive directors, of whom Zvi Shur, Yossef Schvinger and Keren Arad-Leibovitz are considered to be independent non-executive directors, within the meaning of the UK Corporate Governance Code.

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, 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 of directors determined that the number of directors with financial and accounting expertise in the Company shall not be less than one. Zvi Shur and Keren Arad-Leibovitz have been determined by the board of directors to possess such accounting and financial expertise.

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

Committees

As envisaged by the UK Corporate Governance Code and the Israel Companies Law, the Board has established Audit, Remuneration, Nomination and Financial Statements Committees and has appointed an internal controller (as described below). The UK Corporate Governance Code requires that the Audit Committee and Remuneration Committee should each have at least three independent non-executive directors and that, in the case of the Nominations Committee, a majority of the members should be independent non-executive directors.

Under the Israeli Companies Law, the Audit Committee and the Financial Statements Committee should include all of the External Directors and a majority of the members should be independent.

Audit Committee

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

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. The Company's external auditor, Kost Forer Gabbay & Kaiserer, a member of Ernst & Young Global ("**E&Y Israel**"), has provided non-audit services to the Company in the form of tax advice. The Audit Committee is satisfied that E&Y Israel has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The Audit Committee is aware that providing audit and non-audit advice could lead to a potential conflict of interest. The level of fees paid to E&Y Israel for non-audit services has been considered by the Audit Committee and is not perceived to be in conflict with auditor independence.

Financial Statements Committee

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

The 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 of directors appointed an internal auditor, who is responsible for examination of the Company's internal controls and reviewing their effectiveness. All the recommendations provided by the internal auditor are presented to the Financial Statements Committee for review and evaluation. The Financial Statements Committee then recommends the required measures, if any, to the Board for final decision and execution.

The Financial Statements Committee must have at least three members and the Chairman of the Financial Statements Committee shall be an External Director. In this respect, the Financial Statements Committee is

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

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

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

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

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

Remuneration Committee

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

In accordance with its terms of reference, the Remuneration Committee reviews the remuneration of all of the Company's senior executives and is responsible for making recommendations to the board of directors on the Company's framework of executive remuneration and for determining on behalf of the board of directors the remuneration package for each executive director. In accordance with the Israeli Companies Law, the remuneration of executive directors requires the approval of the Company's Audit Committee, board of directors and 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 ensure:

- 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;
- to ensure that aggregate pay for all executive directors is reasonable in light of the Company's size and performance; and
- the Board, following the evaluation and recommendation of the Remuneration Committee, will present an updated compensation plan for the approval of shareholders. The description of the remuneration package of the executive directors is set out further below.

Nomination Committee

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

Internal Controller

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

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

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

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

PART 7

TAXATION

1. UNITED KINGDOM TAXATION CONSIDERATIONS

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Shareholders or Depositary Interest Holders who are resident (and in the case of individual Shareholders or Depositary Interest Holders domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders or Depositary Interest Holders who are subject to special rules (such as persons acquiring Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1.1 *Taxation of Chargeable Gains*

UK tax resident Shareholders

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

For an individual Shareholder within the charge to CGT, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of CGT. The rate of CGT is 18 per cent. for individuals who are subject to income tax at the basic rate and 28 per cent. for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an exempt amount of gains (currently £11,000) in each tax year without being liable to tax.

Non-UK tax resident Shareholders

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders or Depositary Interest Holders may be subject to foreign taxation on any gain under local law.

An individual Shareholder or Depositary Interest Holder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs.

1.2 *Taxation of Dividends*

In most circumstances, a UK resident individual Shareholder or Depositary Interest Holder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the “**Gross Dividend**”). The value of the tax credit is one ninth of the dividend received (or 10 per cent. of the Gross Dividend (before deduction of any

Israeli withholding tax). The Gross Dividend will be part of the Shareholder's or Depositary Interest Holder's total income for UK purposes and will be treated as the top slice of that income.

In the case of a UK resident individual Shareholder or Depositary Interest Holder who is liable to income tax at the starting and basic rates only, the tax credit will satisfy in full such Shareholder's or Depositary Interest Holder's liability to income tax on the dividend received, therefore, there will be no further tax to pay on the dividend received. A UK resident individual Shareholder or Depositary Interest Holder who is liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 per cent., but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder or Depositary Interest Holder will be liable to pay further income tax equal to 22.5 per cent. of the Gross Dividend (which is also equal to 25 per cent. of the cash dividend (before deduction of any Israeli withholding tax)). A UK resident individual Shareholder or Depositary Interest Holder who is liable to income tax at the additional rate will be subject to income tax on the Gross Dividend at 37.5 per cent., but will be able to set the tax credit off against part of this liability. As a result, such a Shareholder or Depositary Interest Holder will be liable to pay further income tax equal to 27.5 per cent. of the Gross Dividend (which is also equal to approximately 30.6 per cent. of the cash dividend (before deduction of any Israeli withholding tax)).

Israeli withholding tax withheld from the payment of a dividend will generally be available as a credit against the UK income tax payable by an individual Shareholder or Depositary Interest Holder in respect of the dividend.

Shareholders or Depositary Interest Holders within the charge to UK corporation tax in respect of the Ordinary Shares which are "small companies" (for the purposes of UK taxation and dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders or Depositary Interest Holders within the charge to UK corporation tax will be subject to corporation tax on the gross amount of any dividends paid by the Company unless the dividends fall within an exempt class and certain other conditions are met. Each Shareholder's position will depend on its own individual circumstances. Although it would normally be expected that the dividends paid by the Company would fall within an exempt class, the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders or Depositary Interest Holders within the charge to UK corporation tax should consult their own professional advisers.

UK resident Shareholders or Depositary Interest Holders who are not liable to income tax on dividends, including pension funds and charities, are not entitled to claim payment of the tax credit attaching to dividends paid.

1.3 *UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)*

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax ("SDRT") position and do not apply to persons such as market makers, brokers, dealers or intermediaries in respect of purchases of securities in specified circumstances. The comments in this section relating to UK stamp duty and SDRT apply whether or not a Shareholder or Depositary Interest Holder is resident in the United Kingdom.

Neither the issue of, or agreement to transfer, Depositary Interests will generally give rise to UK stamp duty or SDRT, provided that the Ordinary Shares are not registered in any register maintained in the UK by or on behalf of the Company and provided further that the Company is not centrally managed and controlled in the UK and that the Ordinary Shares are listed on a recognised stock exchange (within the meaning given by Section 1137(1) of the Corporation Tax Act 2010). The Company does not intend that any such register will be maintained in the UK and intends to maintain its central management and control outside the UK.

If any of these conditions are not met, in particular if the company is incorporated in the United Kingdom or the central management and control of the company is not exercised outside the United Kingdom, the exemption from SDRT would not be available and SDRT (at 0.5 per cent. on any consideration given in money or money's worth) would be payable.

Assuming that transfers of Depositary Interests operate without any written instrument of transfer, no stamp duty will be payable on the transfer of such Depositary Interests.

No stamp duty will be payable on the transfer of the Ordinary Shares, provided that any instrument of transfer is not executed in the United Kingdom and does not relate to any property situate, or to any matter or thing done or to be done, in the United Kingdom. In addition, provided that the Ordinary Shares are not registered in any register kept in the United Kingdom by or on behalf of the Company, any agreement to transfer the Ordinary Shares will not be subject to SDRT.

1.4 *Inheritance Tax*

The Ordinary Shares may constitute assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift or settlement of Ordinary Shares by, or the death of, an individual Shareholder or Depositary Interest Holder may (subject to certain exemptions and reliefs), therefore, give rise to a liability to UK inheritance tax even if the Shareholder or Depositary Interest Holder is neither domiciled nor deemed to be domiciled in the United Kingdom. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor receives or retains some benefit.

If the Depositary Interests constitute assets situated outside of the UK for the purposes of UK inheritance tax, non-UK deemed domiciled individuals may not be subject to UK inheritance tax on death or on gift or settlement of these assets.

2. ISRAELI TAXATION CONSIDERATIONS

The following is a summary of the current tax law applicable to companies in Israel, with special reference to its effect on the Company. The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax adviser concerning the tax consequences of your particular situation.

The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

2.1 *General Corporate Tax Structure in Israel*

Israeli companies are generally subject to corporate tax. In 2014, the corporate tax rate is 26.5 per cent. of their taxable income. The corporate tax rate for 2013 was 25 per cent. Capital gains derived by an Israeli company are generally subject to the prevailing corporate tax rate.

2.2 *Taxation of Non-Israeli Subsidiaries Held by an Israeli Parent Company*

Non-Israeli subsidiaries of an Israeli parent company are generally subject to tax in their countries of residence under tax laws applicable to them in such country. Such subsidiaries could also be subject to Israeli corporate income tax on their income if they are viewed as Israeli resident corporations. The Ordinance defines an Israeli resident corporation as one that was incorporated in Israel or is managed and controlled from Israel, such that if a non-Israeli corporation were to be managed and controlled from Israel, it could also be taxed in Israel if considered as an Israeli resident under the Israeli domestic tax law and the relevant tax treaty if applicable. In such case, double taxation could ensue, although the Ordinance provides rules for provision of foreign tax credits in such situations. In addition, if the non-Israeli subsidiary were to be a resident of a country which is party to an income tax treaty with Israel, the provisions of such tax treaty would normally provide rules for defining residency for purposes of applying the provisions of the tax treaty and provide further relief from double taxation.

An Israeli parent company may also be required to include in its income on a current basis, as a deemed dividend, certain income derived by its subsidiaries under the Israeli Controlled Foreign Corporation rules, regardless of whether such income is distributed or not. Under these rules a non-Israeli subsidiary is considered to be a controlled foreign corporation, if, among other things, the subsidiary has a majority Israeli control, most of its revenues or income is passive (such as interest,

dividends, royalties, rental income or income from capital gains) and such subsidiary's non-Israeli income is taxed at a rate that does not exceed 15 per cent. An Israeli parent company that is subject to Israeli taxes on such deemed dividend income, may generally receive a credit for foreign taxes paid by its non-Israeli subsidiaries in their country of residence and for deemed foreign taxes to be withheld upon the actual distribution of such income.

2.3 ***Taxation of Shareholders***

Israeli Tax Considerations for Shareholders:

The following is a short summary of certain provisions of the tax environment to which Shareholders may be subject. This summary is based on the current provisions of tax law. The summary does not address all of the tax consequences that may be relevant to all purchasers of Ordinary Shares in light of each purchaser's particular circumstances and specific tax treatment. For example, the summary below does not address the tax treatment of residents of Israel and traders in securities who are subject to specific Israeli tax regimes. As individual circumstances may differ, holders of Ordinary Shares should consult their own tax adviser as to the UK, Israeli or other tax consequences of the purchase, ownership and disposition of Ordinary Shares. The following is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations. Each individual should consult his or her own tax or legal adviser.

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares of Israeli companies, by both residents and non-residents of Israel unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The Ordinance distinguishes between "Real Capital Gain" and "Inflationary Surplus." The Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus.

2.4 ***Israeli Resident Individuals***

Capital Gain

As of 1 January 2012, the income tax rate applicable to Real Capital Gains derived by an Israeli individual from the sale of shares which was purchased after 1 January 2003, whether listed on a stock exchange or not, is 25 per cent. However, if such shareholder is considered a "Controlling Shareholder" (i.e., a person who holds, directly or indirectly, alone or together with another, 10 per cent. or more of any of the company's "means of control" (including, among other things, the right to receive profits of the company, voting rights, the right to receive the company's liquidation proceeds and the right to appoint a director) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30 per cent. Individual shareholders dealing with securities in Israel or that the income from the sale of such securities is considered as a business income for the individuals are taxed at the tax rates applicable to business income (up to 48 per cent. in 2014). In addition, there is an additional tax at the rate of 2 per cent. on a yearly income that exceeds NIS 811,000.

Dividend Income

Israeli residents who are individuals are generally subject to Israeli income tax for dividends paid on Ordinary Shares at 25 per cent., or 30 per cent. if the recipient of such dividend is a Controlling Shareholder, at the time of distribution or at any time during the preceding 12-month period. As indicated above, additional tax at the rate of 2 per cent. on a yearly income that exceeds NIS 811,000 will also apply regarding the dividend income.

2.5 *Israeli Resident Corporations*

Capital Gain

Under current Israeli tax legislation, the tax rate applicable to Real Capital Gains derived by Israeli resident corporations from the sale of shares of an Israeli company is the same as the general corporate income tax rate (26.5 per cent.).

Dividend Income

Generally, Israeli resident corporations are exempt from Israeli corporate tax with respect to dividends distributed from Israeli resident corporations which are distributed from earnings that were subject to Israeli tax.

2.6 *Non-Israeli Residents*

Capital Gain

Israeli capital gains tax is imposed on the disposal of capital assets by a non-Israeli resident seller if such assets are either (i) located in Israel; (ii) shares or rights to shares in an Israeli resident company, or (iii) represent, directly or indirectly, rights to assets located in Israel, unless an income tax treaty between Israel and the seller's country of residence provides otherwise. As mentioned above, Real Capital Gains derived by a company is generally subject to tax at the corporate income tax rate (26.5 per cent. in 2014) or, if derived by an individual, at the rate of 25 per cent. or 30 per cent., from assets purchased on or after 1 January 2003. Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income (a tax rate of 26.5 per cent. for a corporation in 2014 and a marginal tax rate of up to 48 per cent. for an individual in 2014). An additional 2 per cent. tax also applies with respect to individuals whose taxable income exceeds NIS 811,000 during the relevant tax year.

Notwithstanding the foregoing, shareholders who are not Israeli residents (individuals and corporations) are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of shares held on a recognized stock exchange outside of Israel, provided, among other things, that (i) such gains are not generated through a permanent establishment that the non-Israeli resident maintains in Israel, (ii) the shares were purchased after being listed on a recognized stock exchange outside of Israel, and (iii) such shareholders are not subject to the Inflationary Adjustment Law. However, non-Israeli corporations will not be entitled to the foregoing exemptions if an Israeli resident (a) has a controlling interest of 25 per cent. or more in such non-Israeli corporation, or (b) is the beneficiary of or is entitled to 25 per cent. or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. Such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income.

In addition, a sale of securities may be exempt from Israeli capital gains tax under the provisions of an applicable income tax treaty. For example, under the Convention Between the Government of the UK and the Government of the State of Israel With Regard to Taxes on Income (the "**UK-Israel Treaty**"), the sale, exchange or disposition of shares of an Israeli company by a shareholder who is a UK resident (for purposes of the UK-Israel Treaty) holding the shares as a capital asset is exempt from Israeli capital gains tax unless either (i) the shareholder holds, directly or indirectly, shares representing 10 per cent. or more of the voting capital during any part of the 12-month period preceding such sale, exchange or disposition, or (ii) the capital gains arising from such sale are attributable to a permanent establishment of or the shareholder which is maintained in Israel or (iii) the capital gain is not subject to tax in the UK.

Payers of consideration for shares, including a purchaser, an Israeli stockbroker effectuating the transaction, or a financial institution through which the sold securities are held, are required, subject to any of the foregoing exemptions and the demonstration of a shareholder regarding his, her or its foreign residency, to withhold tax upon the sale of publicly traded securities from the consideration

or from the Real Capital Gains derived from such sale, as applicable, at the rate of 25 per cent. for a corporation and 25 per cent. for an individual.

Dividend Income

Non-Israeli residents (whether individuals or corporations) are generally subject to Israeli withholding tax on the receipt of dividends paid for publicly traded shares, like our ordinary shares, at the rate of 25 per cent., unless a reduced rate is provided under an applicable tax treaty.

For example, under the UK-Israel Treaty, the maximum rate of Israeli withholding tax on dividends paid to a UK resident (for purposes of the UK-Israel Treaty) holder of our ordinary shares is 15 per cent.

A non-Israeli resident who receives dividends from which Israeli tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, and (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Payers of dividends on our ordinary shares, including an Israeli stockbroker effectuating the transaction, or a financial institution through which the securities are held, are required, subject to any of the foregoing exemptions and the demonstration of a shareholder regarding his, her or its foreign residency, to withhold tax upon the distribution of dividend at the rate of 25 per cent. (for corporations and individuals).

PART 8

ADDITIONAL INFORMATION

1. INCORPORATION AND STATUS OF THE COMPANY

- 1.1 The Company, was incorporated and registered in Israel on 19 January 1994 under the Israeli Companies Law as a private company limited by shares under the name GEO International Computer Based Training Ltd. On 5 November 1995, the Company's name was changed to GEO Interactive Media Group Ltd. On 24 September 1996, the Company was re-registered as a public company. On 5 February 2001, the Company's name was changed to Emblaze Systems Ltd. On 3 July 2003, the Company's name was changed to Emblaze Ltd. On 3 July 2014, the Shareholders passed a resolution approving the change of the Company's name to B.S.D Group Ltd or any other similar name as approved by the Israeli Company's Registrar. Any change of name will become effective upon the approval of the Israeli Company's Registrar. The Company's registered number is 52-004292-0.
- 1.2 The principal legislation under which the Company operates is the Israeli Companies Law and all related regulations made thereunder.
- 1.3 Subject to the anticipated change of name noted above, the Company's legal and commercial name is Emblaze Ltd.
- 1.4 The Company's registered office is at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301 Israel. The telephone number of the Company's registered office is +972-3-5386602.

2. SHARE CAPITAL OF THE COMPANY

- 2.1 As at 28 July 2014 (being the latest practicable date prior to the date of this document) and immediately following Admission, the authorised and issued share capital of the Company is and will be:

<i>Class of shares</i>	<i>Nominal value</i>	<i>Authorised and Issued⁽ⁱ⁾</i>	
		<i>NIS</i>	<i>no</i>
Ordinary Shares	NIS0.01	1,405,781.54	140,578,154

(i) All Ordinary Shares are fully paid.

109,990,252 Ordinary Shares are outstanding and 30,587,902 Ordinary Shares are held in treasury.

- 2.2 No change to the authorised and issued share capital of the Company has occurred since 1 January 2011.
- 2.3 The Articles of Association confer on Shareholders rights of pre-emption in respect of the allotment or issue of securities which are, or are to be, paid up in cash. In accordance with the resolution of the Company passed on 3 July 2014, the Directors are empowered to allot:
- 2.3.1 Equity Securities in connection with a rights issue in favour of Shareholders where the Equity Securities respectively attributable to the interests of all Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them;
- 2.3.2 (other than pursuant to paragraph 2.3.1 above) Equity Securities up to an aggregate nominal value of NIS50,000; and
- 2.3.3 Equity Securities pursuant to an employee share option plan that has been approved by a resolution of Shareholders,

provided that the power (except in relation to Equity Securities allotted pursuant to such an employee share option plan) shall expire on the earlier of 2 October 2014 and the conclusion of the Company's next annual general meeting (save that the Company may before such expiry make an offer or

agreement which would or might require Equity Securities to be allotted after such expiry and the Board may allot Equity Securities in pursuance of such an offer or agreement as if the power had not expired).

- 2.4 The above mentioned pre-emption rights do not apply to a particular allotment of Equity Securities if these are, or are to be, wholly or partly paid up otherwise than in cash.
- 2.5 As at 28 July 2014, (being the latest practicable date prior to the date of this document), the Company held 30,587,902 Ordinary Shares in treasury, which representing 21.76 per cent. of the Company's issued share capital.
- 2.6 Other than the issue of Ordinary Shares on the exercise of the options issued under the Share Option Schemes as described in paragraph 4 below, the Company has no present intention to issue any new shares in the share capital of the Company.
- 2.7 The Company does not have in issue any securities not representing share capital.
- 2.8 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.9 There has been no issue of share capital of the Company in the three years immediately preceding the date of this document and (other than on the exercise of the options to be issued under the Share Option Schemes, as referred to in paragraph 4 below) no such issue is proposed.
- 2.10 No commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company in the three years immediately preceding the date of this document.
- 2.11 Save as disclosed in paragraph 4 below, on Admission no share or loan capital of the Company or any other member of the Enlarged Group will be under option or has been agreed conditionally or unconditionally to be put under option.
- 2.12 None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for Admission.

3. ARTICLES OF ASSOCIATION AND MEMORANDUM OF INCORPORATION

The Articles of Association and the Memorandum of Incorporation contain provisions, inter alia, to the following effect.

3.1 *Objects*

The Articles of Association and Memorandum of Incorporation provide that the Company may engage in any lawful activity.

3.2 *Voting rights*

Each Shareholder participating in any general meeting of the Company shall have one vote for each share giving a right to vote in a general meeting held by such Shareholder, unless provided otherwise in the Articles of Association.

Regarding joint holders, the vote of the person first registered in the register of Shareholders shall be accepted to the exclusion of the votes of the other joint holder(s).

Regarding ballots or proxies, a company or other corporate shareholder of the Company may duly authorise in writing any person to be its representative and exercise on its behalf all the power that the latter could have exercised if it were a natural person at any general meeting of the Company. Any Shareholder, or its representative, entitled to vote may vote either in person or by ballot or by proxy, who need not be a Shareholder, whether the Shareholder is a corporate body or a natural person.

3.3 ***Restrictions on voting***

No Shareholder shall be entitled to vote at any general meeting of the Company, or be counted as part of the quorum, unless any amount due to the Company for its shares has been fully paid.

3.4 ***Dividends and Reserves***

The Company may, by resolution of the Shareholders, declare dividends but no dividend shall be declared in excess of the amount recommended by the Board. Subject to the rights attached to any shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares (excluding any premium) in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for these purposes as paid up on such shares. All dividends shall be apportioned and paid proportionately to the amounts paid up on the share (excluding any premium) during any portion or portions of the period in respect of which the dividend is paid.

The Board may from time to time pay to Shareholders such interim dividends as appear to the Board to be justified by the profits and/or reserves of the Company.

The Board may deduct from any dividend payable to a Shareholder all sums of money payable by him to the Company and the Board may retain the dividends payable upon any share in respect of which any person is entitled to become a Shareholder or entitled to transfer until such person shall become a Shareholder.

No dividends in respect of a share shall bear interest.

By resolution of the Shareholders on a recommendation by the Board, the Company may make payment of a dividend wholly or partially by distribution of specific assets.

All unclaimed dividends may be invested or otherwise made use of, at the Board's discretion, for the benefit of the Company until claimed, subject to the provisions of the Articles of Association. If a dividend remains unclaimed for a period of more than twelve months such dividend shall be forfeited and shall revert to the Company.

The Directors may, from time to time, set aside out of the profits of the Company and carry to reserve such sums as the Directors may deem appropriate which may be applied for any purpose to which the profits of the Company may be properly applied and, pending such application, may either be employed in the business of the Company or be invested.

The Board may also, without placing the same in reserve, carry forward any profits in accordance with the provisions of the Israeli Companies Law.

3.5 ***Variation of rights***

All or any of the rights for the time being attached to any class of shares of the Company may be varied or abrogated with the consent in writing of the holders of a majority in nominal value of the issued shares of that class.

3.6 ***Transfer of shares***

Any Shareholder may transfer all or any of his shares by an instrument of transfer in any usual or common form or in any other form satisfactory to the Board, signed by the transferee and the transferor and deposited at the registered office from time to time of the Company (or such other place as the Board may from time to time nominate) together with the share certificate(s) and such other evidence of title as the Board may reasonably require.

Transfers of shares shall also be registered in the Company's register of shareholders on the occurrence of the following events: (i) the Company receiving a court order requiring the change in the Company's register of shareholders; (ii) the Company receiving proof that the legal requirements for the assignment of rights to any shares were fulfilled; and (iii) the satisfaction of a condition that

is sufficient, under the Articles of Association, to effect the change in the Company's register of shareholders.

For so long as the Ordinary Shares are admitted to the Official List of the UKLA and to trading on the London Stock Exchange or traded on the AIM Market of the London Stock Exchange, the Company shall maintain a registration office in the United Kingdom, the Channel Islands or the Isle of Man.

The Board may, in its absolute discretion and without assigning any reason, decline to register any transfer of any share, which is not fully paid, provided that the exercise of such discretion does not prevent dealing in such shares on an exchange on which such shares are registered for trade on an open and proper basis. The Board may also decline to register any transfer of shares: (i) on which the Company has a lien; (ii) unless: (a) the instrument of transfer is in respect of only one class of share; and (b) in the case of transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange, if and to the extent that certificates have been issued in respect of the shares in question, the share certificates in respect of such shares have been lodged with the Company.

If the Board declines to register a transfer it shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

3.7 *Alteration of capital and purchase of own shares*

3.7.1 Subject to the Israeli Companies Law and the Articles of Association, the Company may, by resolution of the Shareholders:

- (a) increase its authorised share capital. Any such increase shall be in such amount and shall be divided into shares of such nominal value, with such rights and preferences and subject to such restrictions, as such resolution shall provide.
- (b) consolidate all or any part of its issued or unissued share capital into shares of a per share nominal value that is greater than the per Share nominal value of its existing Shares;
- (c) subdivide issued or unissued shares into shares of lesser nominal value than is fixed by the Articles of Association;
- (d) cancel any shares that have not been issued or subscribed for and decrease the amount of its authorised share capital by the amount of the shares so cancelled, subject to any commitment (including a conditional commitment) given by the Company in respect of such shares; and
- (e) reduce its share capital in any manner, subject to any consent or approval required by law.

3.7.2 With respect to any action that may result in fractions of shares, the Board may settle any difficulty that may arise with regard thereto as it deems fit, and, in connection with any such consolidation or other action that may result in fractions of shares, may, without limitation:

- (a) determine, as to the holder of the shares so consolidated, which issued shares shall be consolidated into a share of a larger nominal value per share;
- (b) allot, in contemplation of or subsequent to such consolidation or other action, shares or fractions of shares sufficient to preclude or remove fractions of shareholdings;
- (c) redeem such shares or fractions of shares sufficient to preclude or remove fractions of shareholdings; and
- (d) cause the transfer of fractions of shares by certain Shareholders to other Shareholders so as to preclude or remove any fractions of shareholdings, and cause the transferees of such fractions of shares to pay the transferors of such fractions of shares the fair value thereof.

3.8 *General meetings of the Company*

3.8.1 *Annual general meetings of the Company*

An annual general meeting shall be held at least once in every calendar year (within a period of not more than 15 months after the last preceding annual general meeting of the Company), at such time and at such place as determined by the Board.

3.8.2 *Convening of the Company's extraordinary general meetings*

The Board may, whenever it thinks fit, convene an extraordinary general meeting, at such time and place as it may determine.

The Company shall be obliged to convene an extraordinary general meeting upon the receipt of a written request from: (i) either two Directors or 25 per cent. of the Directors then in office; (ii) a Shareholder or group of Shareholders that hold (in aggregate) at least 5 per cent. of the issued and outstanding shares and at least 5 per cent. of the voting rights in the Company; or (iii) a Shareholder (or group of Shareholders) that hold(s) (in aggregate) at least 5 per cent. of the voting rights in the Company.

3.8.3 *Agenda*

The agenda for a general meeting shall be determined by the Board so long as: (i) the agenda at an annual general meeting includes a discussion of the annual financial statements of the Company and of the report submitted by the Board that includes explanations concerning the various events that had an influence on the financial statements; and (ii) the agenda of an extraordinary general meeting of the Company shall include the matters for which such extraordinary general meeting was convened and matters requested by Shareholder(s) holding no less than one per cent. of the voting rights exercisable at the general meeting, provided that such proposed matter is appropriate for discussion in a general meeting.

Only resolutions on matters specified in the agenda shall be adopted at a general meeting.

3.8.4 *Notice of general meetings*

Under the Israeli Companies Law, if there are no items on the agenda for a general meeting which require a vote by ballot, notice of a general meeting must be published at least 14 days prior to the assembly of the general meeting.

Under the Israeli Companies Law, certain votes requiring ballots must be passed by resolutions in writing and require 35 day's notice.

Subject to the Israeli Companies Law, a notice of a general meeting need not be delivered to each Shareholder. A resolution may be proposed and adopted at a general meeting even though the notice prescribed in the Articles of Association of the Company has not been given, subject to the consent of all of the Company's shareholders entitled to vote thereon.

The accidental omission to give notice of a meeting to any Shareholder(s), or the non-receipt of notice sent to a Shareholder, shall not invalidate the proceedings at such general meeting.

3.8.5 *Quorum*

No business shall be transacted at a general meeting of the Company unless a legal quorum is present and no resolution may be passed unless a legal quorum is present at the time such resolution is voted upon.

Two or more Shareholders, present in person or by proxy and holding shares conferring in aggregate at least 25 per cent. of the outstanding voting rights of the Company, shall constitute a legal quorum at general meetings of the Company.

If within half an hour from the time scheduled for a general meeting of the Company a legal quorum is not present, the meeting shall be adjourned to the same day in the next week, at the same time and place, or to such other day and at such other time and other place as the Board may determine in a notice to the Shareholders. If within half an hour from the time scheduled for the adjourned meeting a legal quorum is not present, then any two Shareholders entitled to vote, present in person or by proxy, shall constitute a legal quorum for such adjourned meeting and shall be entitled to resolve any matters on the agenda of the meeting.

3.8.6 *Chairman*

The chairman of the Board, the chief executive officer or the chief financial officer of the Company shall preside at every general meeting of the Company and shall be appointed as the Chairman of the general meeting. If one of the Chairman of the Board, the chief executive officer or the chief financial officer of the Company was not appointed, or if the Chairman of the Board, the chief executive officer or the chief financial officer of the Company is not present within 15 minutes after the time scheduled for the meeting, or is unwilling to take the chair, the Shareholders present shall choose someone of their number to be the chairman of such meeting. The office of chairman of a general meeting shall not, by itself entitle the holder to vote at any general meeting nor shall it grant him a second or casting vote.

3.8.7 *Adjournment*

The chairman of a general meeting of the Company at which a quorum is present may, with the consent of the holders of a majority of the voting rights represented in person or by proxy and voting on the question of adjournment, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting as originally called.

3.8.8 *Method of voting*

Any Shareholder entitled to vote may vote either in person or by ballot or by proxy (and the proxy need not be a Shareholder) or, if the Shareholder is a company or other corporate body, by an authorised representative.

3.8.9 *Adoption of Resolutions at general meetings*

Subject to the provisions of the Israeli Companies Law, a resolution proposed at any general meeting of the Company shall be deemed adopted if approved by a majority of the shares represented at such meeting in person or by proxy. A declaration by the chairman of the general meeting of the Company that a resolution has been carried unanimously, or carried by a particular majority, or defeated, and an entry to that effect in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

3.8.10 *Resolutions in Writing*

A resolution in writing signed by the Shareholders holding at such time all the issued shares having the right to vote at general meetings of the Company, or to which all such Shareholders have agreed in writing (by letter, telegram, email, telex, facsimile or otherwise), shall have the same force, for any purpose whatsoever, as if unanimously adopted by a general meeting of the Company duly convened and held.

3.8.11 *Proxies*

An instrument appointing a proxy shall be in writing. Such proxy shall be duly signed by the appointer or such person's duly authorised attorney or, if such appointer is a company or other corporate body, under its common seal or stamp or the hand of its duly authorised agent(s) or attorney(s) in accordance with its constitutional documents.

3.8.12 *Form of proxy*

The proxy shall be substantially in the following form:

“I _____ (Name of Shareholder) of _____ (Address of Shareholder) being a Shareholder of Emblaze Ltd. hereby appoint _____ (Name of Proxy) of _____ (Address of Proxy) as my proxy to vote for me on my behalf at the General Meeting of the Company to be held on the _____ day of _____, _____ and at any adjournment(s) thereof. Signed this _____ day of _____, _____ (Signature of Appointer)” or in any usual or common form or in such other form as may be approved by the Company’s board of directors.

3.8.13 *Deposit of proxy*

The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall either be delivered to the Company (at its principal place of business or at the offices of its registrar or transfer agent, or at such place as the Board may specify) not less than 24 hours before the time fixed for the meeting at which the person named in the instrument proposes to vote, or presented to the chairman of such general meeting of the Company.

3.8.14 *Notice of revocation of proxy and expiration of proxy*

An instrument appointing a proxy shall be deemed revoked: (i) upon receipt by the Company of an instrument or written notice signed by the person who signed such instrument or by the Shareholder appointing such proxy cancelling the appointment thereunder or of an instrument appointing a different proxy, provided such notice(s) were so received (at its principal place of business or at the offices of its registrar or transfer agent, or at such place as the Board may specify) within the time for delivery of the instrument revoked; (ii) if the appointing Shareholder is present in person at the meeting for which such instrument of proxy was delivered, upon receipt by the chairman of such meeting of written notice from such Shareholder of the revocation of such appointment; or (iii) if and when such Shareholder votes at such meeting.

A vote cast in accordance with an instrument appointing a proxy shall be valid despite: (i) the revocation or purported cancellation of the appointment, or the presence in person or vote of the appointing Shareholder at a meeting for which it was rendered, unless such instrument of appointment was deemed duly revoked as described above; and (ii) the prior death or bankruptcy of the appointing Shareholder (or of his attorney in fact, if any, who signed such instrument); or (iii) the transfer of the share in respect of which the vote is cast, in each case unless written notice of such matters shall have been received by the Company or by the chairman of such general meeting of the Company prior to such vote being cast.

3.8.15 An instrument appointing a proxy that is not limited in time shall expire 12 months after the date of its execution. If the appointment shall be for a specified period, whether in excess of 12 months or not, the instrument shall be valid for the period stated therein.

3.9 ***Directors***

3.9.1 *Number*

The Board shall consist of no less than five and no more than 15 directors.

3.9.2 *Appointment and removal of directors*

Directors shall be elected at the annual general meeting of the Company by the vote of the holders of a majority of the voting rights represented at such meeting in person or by proxy and each director of the Company shall serve subject to the Articles of Association, until the next annual general meeting of the Company and until his successor is elected, or until his earlier removal.

The holders of a majority of the voting rights represented at a general meeting of the Company in person or by proxy and voting thereon at such meeting shall be entitled to remove any directors(s) from office, to elect directors to replace directors so removed or to fill any vacancy, however created (including any position to which a director was not elected), in the Board. In the case of an independent director or any other director for whom the law prescribes a different method of election or removal from that specified above, the provisions of the Israeli Companies Law shall govern.

Notwithstanding the above, the Board has the power at any time to appoint one or more directors of the Company (either to fill any vacancy or as additional directors) provided that the number of directors does not thereby exceed the permitted maximum. If at any time the number of directors is less than the permitted minimum, the remaining directors may continue to exercise all the powers of the Board provided, however, that if they number less than the minimum number, they may act only in an emergency or to fill the office of director that has become vacant up to that number or in order to call a general meeting of the Company for the purpose of electing directors to fill any or all vacancies, so that at least the minimum number of directors are in office as a result of such meeting.

3.9.3 *Remuneration*

A director of the Company shall be paid remuneration by the Company for his services as a director, to the extent such remuneration shall have been approved by a general meeting of the Company, the Audit Committee and the Board (in accordance with the provisions of the Israeli Companies Law).

Under the Israeli Companies Law, independent directors are entitled to remuneration and to a refund of expenses as may be prescribed under regulations published in respect of remuneration.

Alternate directors of the Company are not entitled to remuneration but are entitled to a refund of expenses incurred in the course of their duties.

3.9.4 *Termination of directors of the Company*

Without derogating from the Israeli Companies Law, the office of a director of the Company, or an alternate director of the Company, shall automatically be vacated, prior to the end of the term of his appointment (in accordance with paragraph 3.9.2) upon the following: (a) upon resignation, which shall become effective on the date a written notice of such resignation is delivered to the Company, or such later date specified in the notice; (b) if convicted of a felony which, pursuant to the Israeli Companies Law, disqualifies the individual from serving as a director; (c) pursuant to a court's decision, which provides that the director is permanently unable to fulfil his duties or in the event that the director was convicted of bribery, fraud, crimes by corporate managers or illegal use of inside information in a court outside Israel; (d) upon death, or when declared bankrupt; (e) if he becomes of unsound mind; or (f) in the case of an alternate director of the Company upon the director of the Company by whom the alternate director of the Company was appointed ceasing to be a director.

3.9.5 *Power to appoint alternate directors of the Company*

A director of the Company may, by written notice to the Company, appoint any individual (whether or not such person is then a member of the Board) as an alternate for himself, remove such alternate director and appoint another alternate director in his place for any reason. Unless the appointing director, by the instrument appointing an alternate director or by written notice to the Company, limits such appointment to a specified period of time or restricts it to a specified meeting or action of the Board, or otherwise restricts its scope, the appointment shall be for all purposes, and for a period of time, concurrent with the term of the appointing director.

A notice of appointment shall be given in person to, or by sending the same by mail to the attention of the chairman of the Board at the principal office of the Company, and shall become effective on the date stated therein, or upon the receipt thereof by the Company, whichever is later.

An alternate director of the Company shall have all the rights and obligations of a director; provided, however, that: (i) an alternate director shall have no standing at any meeting of the Board or any committee meeting of the Board while the director for whom such alternate director was appointed is present; (ii) he may not in turn appoint an alternate for himself (unless the instrument appointing him otherwise expressly provides); and (iii) the alternate director is not entitled to receive any remuneration.

3.9.6 Disclosure of interests and approval of Conflicts of interest

The Israeli Companies Law requires that an office holder of a company disclose to the company, promptly and in any event no later than the board meeting in which the transaction is first discussed, any personal interest that he/she may have and all related material information known to him/her, in connection with any existing or proposed transaction by the company. A personal interest of an office holder includes an interest of a company in which the office holder is, directly or indirectly, a 5 per cent. or greater shareholder, director or general manager or in which the office holder has the right to appoint at least one director or the General Manager.

In the case of an extraordinary transaction, the office holder's duty to disclose applies also to a personal interest of the office holder's relative, which term is defined in the Israeli Companies Law as the person's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing.

Under the Israeli Companies Law, an extraordinary transaction is a transaction:

- (a) other than in the ordinary course of business;
- (b) otherwise than on market terms; or
- (c) that is likely to have a material impact on the company's profitability, assets or liabilities.

Under the Israeli Companies Law, once an office holder complies with the above disclosure requirement, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest. A transaction that is adverse to the company's interest may not be approved.

If the transaction is an extraordinary transaction, approval of both the Audit Committee and the Board is required. Under specific circumstances, shareholder approval may also be required. A director who has a personal interest in an extraordinary transaction which is considered at a meeting of the Board or the Audit Committee generally may not be present at this meeting or vote on this matter, unless a majority of members of the Board or the Audit Committee, as the case may be, has a personal interest. If a majority of the Board has a personal interest, shareholder approval is also required.

Subject to the provisions of the Israeli Companies Law, no director of the Company shall be disqualified from holding any office or relationship of profit with the Company or with any company in which the Company shall be a shareholder or have another interest, or from contracting with the Company as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any director of the Company shall in any way be interested, be avoided, nor, other than as required under the Israeli Companies Law, shall any director of the Company be liable to account to the Company for any profit arising from any such office or relationship of profit or realised from

such contract or arrangement by reason only of such director's holding that office or of the fiduciary relations thereby established.

3.9.7 *Powers of the Board*

Subject to the provisions of the Israeli Companies Law and the Articles of Association, the determination of the policy of the business of the Company and the supervision of the performance of the General Manager shall be vested in the Board, which may exercise all such powers and do all such acts and things as the Company is authorised to exercise and do and which are not required to be done by the Company by action of its Shareholders at a general meeting of the Company.

Subject to the provisions of the Israeli Companies Law, the Board may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purpose(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it deems fit and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board deems fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

The authority conferred on the Board shall be subject to the provisions of the Israeli Companies Law and any resolution adopted from time to time by the Company at a general meeting, provided, however, that no such resolution shall invalidate any prior act done by or pursuant to a decision of the Board that would have been valid if such resolution had not been adopted.

3.9.8 *Borrowing powers*

The Board may, subject as provided below, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) with the view to securing that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Company or any of its subsidiaries shall not at any time, except with the previous sanction of the Shareholders, exceed an amount equal to three times the share capital and consolidated reserves.

3.9.9 *Indemnity of officers*

Subject to the provisions of the Israeli Companies Law, the Company may enter into a contract for the insurance of its office holders, for actions or omissions done in their capacity as office holders, in whole or in part, against any of the following:

- (a) breach of the duty of care owed to the Company or a third party;
- (b) breach of the fiduciary duty owed to the Company, provided that the officeholder acted in good faith and had reasonable grounds to believe that his action would not harm the Company's interests; and
- (c) monetary liability imposed on him in favour of a third party.

Subject to the provisions of the Israeli Companies Law, the Company is entitled retrospectively to indemnify any office holder, or provide a prior undertaking to indemnify an office holder, where such prior undertaking is limited to categories of events that the Board believes are foreseeable and to a reasonable sum determined by the Board in the circumstances, for any of the events detailed above.

Subject to the provisions of the Israeli Companies Law, the Company may exculpate an office holder in advance from liability, or any part of liability, for damages sustained as a result of a breach of duty of care to the Company.

3.9.10 *General Manager*

The Board shall from time to time appoint one or more persons, whether or not Directors, as general manager (or general managers), and may confer upon such person(s) such title(s), duties and authorities as the Board may deem fit. Such appointment(s) may be either for a fixed term or without any limitation of time and the Board may from time to time (subject to the provisions of the Israeli Companies Law and of any contract between any such person and the Company) determine their salary and emoluments, remove or dismiss such person(s) from office and appoint another or others in their place.

Unless otherwise determined by the Board, the general manager(s) shall have the authority with respect to the day to day management of the Company in the ordinary course of business, in the framework of, and subject to, the policy, guidelines and instructions of the Board from time to time. The general manager(s) shall have all the management and implementation authorities that are not expressly delegated in the Articles or by the Israeli Companies Law to another organ of the Company, and will be subject to the supervision of the Board.

The general manager(s) shall notify the Board of any unusual event that is material to the Company.

The remuneration payable to the general manager (or general managers) for their services shall be fixed from time to time (subject to any contract between the general manager and the Company) by the Board, and may be fixed as a regular salary, as commission on dividend, profits or revenues of the Company or of any other Company in which the Company has an interest, as participants in the Company's profits, or as any combination of the foregoing.

3.9.11 *Committees of the Board*

Subject to the provisions of the Israeli Companies Law, the Board may delegate any or all of its powers to committees, each consisting of one or more persons who are directors, and it may from time to time revoke such delegation or alter the composition of any such committee. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. The meetings and proceedings of any such committee of the Board shall be governed by the same regulations as meetings of the Board. Unless otherwise expressly provided by the Board in delegating powers to a committee, such committee shall not be empowered to further delegate such powers.

The Board may revoke any resolution of any committee, provided, however, that any such revocation shall not detract from the validity of any transaction entered into with a person who was not aware of such revocation.

Under the provisions of the Israeli Companies Law, the Board may not delegate its powers to a committee with regard to any of the following matters, except for the purpose of recommendation only:

- (a) determining the Company's general policy;
- (b) distributions;
- (c) determining the position of the Board in respect of a matter requiring the approval of the general meeting;
- (d) appointing directors;
- (e) allotting shares or securities convertible into shares;

- (f) approval of financial reports; and/or
- (g) approval of transactions and acts requiring the approval of the Board.

3.9.12 *Board meetings*

The Board may meet and adjourn its meetings and otherwise regulate such meetings and proceedings in accordance with the Company's needs, provided, however, that the Board shall meet at least once every three months.

The chairman of the Board may convene a meeting of the Board at any time.

The chairman of the Board shall be required to convene a meeting of the Board to be held not later than 14 days following a request by any Director in the event that a meeting is convened as a result of: (i) a notification by the General Manager of an unusual event that is material to the Company; or (ii) a notification by the Company's auditors of a material irregularity discovered in the course of an audit; or (iii) an alleged breach of law or of improper business practice has been discovered.

3.9.13 *Notice of Board meetings*

Notice of any Board meeting may be given by telephone or by post, email, telex, telegram or facsimile or other form of electronic communication, a reasonable time before the meeting. What constitutes a "reasonable time" is not prescribed under the Israeli Companies Law.

Failure to deliver notice to a director of the Company of a Board meeting may be waived by such director, and a meeting shall be deemed to have been duly convened despite such defective notice if such failure or defect is waived prior to action being taken at such meeting by all directors entitled to participate and vote in such meeting to whom notice was not duly given.

3.9.14 *Quorum*

The majority of the members of the Board then in office shall constitute a quorum for any meeting of the Board.

3.9.15 *Voting*

A resolution proposed at any meeting of the Board shall be deemed adopted if approved by a majority of the directors present.

3.9.16 *Telephone and video conference meetings*

A meeting of the Board may be conducted by using any communication device, provided that all directors participating in such meeting can simultaneously hear each other.

3.9.17 *Resolutions in writing*

A resolution in writing signed by all the directors then in office and lawfully entitled to vote thereon, or to which all the directors have given their written consent (by letter, email, telegram, telex, facsimile or otherwise) shall be deemed to have been unanimously adopted by a meeting of the Board duly convened and held.

3.10 *Shareholders Duties*

Under the Israeli Companies Law, each shareholder has a duty to act in good faith in exercising his rights and fulfilling their obligations towards the company and other shareholders and to refrain from abusing their power in the company, such as in shareholder votes on the following matters: (i) any alteration of the articles; (ii) an increase in the company's registered share capital; (iii) a merger; or (iv) approval of certain actions and transactions that require shareholder approval. Each shareholder also has the general duty to refrain from depriving other shareholders of their rights.

In addition, specified shareholders have a duty of fairness towards the company. These shareholders include any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote in a general meeting or in a class meeting and any shareholder who, pursuant to the provisions of the articles, has the power to appoint or to prevent the appointment of an office holder or any other power with respect to the company. However, the Israeli Companies Law does not define the substance of this duty of fairness.

Under the Israeli Companies Law, the disclosure requirements that apply to an office holder (described at paragraph 3.9.6 above) also apply to a controlling shareholder of a public company. For these purposes, a controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder that holds 25 per cent. or more of the voting rights of the company where no other shareholder holds more than 50 per cent. of the voting rights, but excluding a shareholder whose power derives solely from his or her position on the board of directors or any other position within the company.

Extraordinary transactions with a controlling shareholder of a public company or with another person in which a controlling shareholder has a personal interest, and the engagement of a controlling shareholder as an office holder or employee, require the approval of the audit committee, the board of directors and the shareholders of the company, in that order. The shareholder approval must be by a majority vote, provided that either:

- (a) at least one-third of the shares of non-interested shareholders who vote at the meeting vote in favour of the matter; or
- (b) the total number of shares of non-interested shareholders who vote at the meeting against the matter does not exceed 1 per cent. of the aggregate voting rights in the company.

4. SHARE OPTION SCHEMES AND WARRANTS

Share Option Schemes

4.1 *Restrictions on grant and exercise of options under Israeli Law*

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

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

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

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

4.2 *Summary of the 2001 Plan*

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

4.2.1 *Eligibility*

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

4.2.2 *Performance conditions*

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

4.2.3 *Administration*

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

4.2.4 *Exercise price*

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

4.2.5 *Term and vesting of options*

The options shall vest either on an annual basis or semi-annual basis in equal portions over a period varying between two to four years, commencing on the date of grant.

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

On 21 February 2012, the Company's Shareholders resolved to extend the term of the Company's 2001 Plan for an additional 10 years effective from 1 July 2011. If the options are not exercised within this period, the options will expire. Any options that are either cancelled or forfeited before expiration become available for future grants.

4.2.6 *Share Limits under the 2001 Plan*

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

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

4.2.7 *Termination and Amendment*

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

The following options have been granted and are outstanding under the terms of the 2001 Plan as at 28 July 2014 (being the latest practicable date before publication of this document):

	<i>Number of options granted</i>	<i>Exercise price (US\$)</i>	<i>Vesting Period</i>	<i>Number of options exercisable as at the date of this document</i>
	411,250	0.69-0.8	4 years	283,120
	371,400	1.2-2.4	Fully vested	371,400
	20,000	3.5	Fully vested	20,000
Total	802,650			674,525

4.3 *WFI and WFINT Share Option Schemes*

A summary of the principal features of the WFI and WFINT Share Option Schemes is set out below:

4.3.1 *Eligibility*

In January 2008, WFI's board of directors adopted an employee stock incentive plan to grant stock options to WFI directors and employees to acquire up to 500,000 ordinary shares in WFI (the "**2008 Plan**"). This limit was increased with effect from 12 March 2009 to 600,000 ordinary shares in WFI. There are no further shares available for issue under the 2008 Plan.

On 16 October 2013, WFINT's board of directors adopted an employee stock incentive plan to grant stock options to WFINT's directors and employees to acquire up to 100,000 ordinary shares in WFINT (the "**2013 Plan**") as described further below. On 18 November 2013, 30,000 options were also granted to Mr Gil Hochboim. On 28 November 2013, following the approval of WFINT shareholders general meeting, options over 200,000 ordinary shares of WFINT were granted to each of Mr Zwi Williger and Mr Joseph Williger.

4.3.2 *Administration*

WFI's board of directors is in charge of the administration of the 2008 Plan.

WFINT's board of directors is in charge of the administration of the 2013 Plan.

4.3.3 *Exercise price*

Under the 2008 Plan (as amended with effect from 12 March 2009), the exercise price of each option was determined to be NIS9.3584 subject to adjustments and not linked to the changes in the consumer price index.

Under the 2013 Plan, the exercise price of each option granted under the 2013 Plan is US\$6.50.

4.3.4 *Term and vesting of options*

The options granted under the 2008 Plan vest in three equal annual instalments commencing on the anniversary date of a grant, and expire on the third, fourth and fifth anniversaries of the grant respectively.

The options granted under the 2013 Plan are exercisable in three equal portions: one-third from the end of 12 months to the end of 36 months from the date of grant; one-third from the end of 24 months to the end of 48 months from the date of grant; and one-third from the end of 36 months to the end of 60 months from the date of grant.

If the options granted under either the 2008 Plan or the 2013 Plan are not exercised within the relevant periods, the options will expire.

The 2013 Plan will expire seven years from the date of approval by WFINT's board of directors.

4.3.5 *Limits on options under the WFI and WFINT Share Option Schemes*

All the options under the WFI 2008 Plan have already been granted to WFI's directors and employees so that no further shares are available for issue under this plan.

There are currently 70,000 shares available for issue under the WFINT 2013 Plan.

The WFI Share Option Schemes do not include any specific limits of the number of options which can be granted to a specific individual.

The following options have been granted and are outstanding under the terms of the WFI 2008 Plan as at the date of this document:

<i>Grantee</i>	<i>Number of options granted</i>	<i>Exercise price NIS</i>	<i>Date of grant</i>	<i>Vesting Period</i>	<i>Number of options exercisable as at the date of this document</i>
Employees of WFI	10,000	9.3584	June 2011	The options vest over three years, with one-third of the options vesting on each of the first three anniversaries of the grant of the option	3,334

The following options have been granted and are outstanding under the terms of the WFINT 2013 Plan as at the date of this document:

<i>Grantee</i>	<i>Number of options granted</i>	<i>Exercise price (US\$)</i>	<i>Date of grant</i>	<i>Vesting Period</i>	<i>Number of options exercisable as at the date of this document</i>
Zwi Williger	200,000	6.5	November 2013	The options vest over three years, with one-third of the options vesting on each of the first three anniversaries of the grant of the option	0
Joseph Williger	200,000	6.5	November 2013		0
Gil Hochboim	30,000	6.5	November 2013		0
Total	430,000				0

No options may be exercised following the fifth anniversary of the grant of options.

The exercise of the options held by Mr Zwi Williger may occur only while he is still serving as an officer or director of WFI.

The exercise of the options held by Mr Joseph Williger may occur only while he is still serving as an officer or director of WFI.

Warrants

4.4 WFI has issued the following warrants:

<i>Warrantholder</i>	<i>Number of Warrants granted</i>	<i>Percentage of WFI's fully diluted share capital as at the date of this document</i>	<i>Warrant price</i>	<i>Exercise period</i>
Shareholders of WFI (other than the Willigers)	689,700	4.93	NIS29	4 December 2013 – 3 December 2015

5. DIRECTORS', SENIOR MANAGEMENT'S AND OTHER INTERESTS

5.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and the members of Senior Management and their immediate families in the share capital of the Company:

- (a) which have been notified to the Company pursuant to the Disclosure and Transparency Rules; or
- (b) being interests of a person connected (within the meaning of the Disclosure and Transparency Rules) with a Director which would, if such connected person were a Director, be required to be disclosed under (a) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director,

were, as at 28 July 2014 (being the latest practicable date before the publication of this document) and are expected on Admission to be as follows:

<i>Director/Senior Management</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>	<i>Number of Ordinary Shares under option</i>
Directors			
Rabbi Abraham Wolff	—	—	—
Israel Jossef Schneerson	—	—	—
Zvi Shur	—	—	—
Yossef Schvinger	—	—	—
Chanoch Winderboim	—	—	—
Keren Arad-Leibovitz	—	—	—
Senior Management			
Eyal Merdler	—	—	—
Joseph Williger	—	—	—
Zwi Williger	—	—	—
Gil Hochboim	—	—	—

5.2 As at 28 July 2014 (being the latest practicable date prior to the date of this document) and as expected to be the case immediately following Admission, the Company is aware of the following Shareholders (other than any Director or member of Senior Management) who by virtue of the notifications made to it (including pursuant to the Disclosure and Transparency Rules), hold directly or indirectly 5 per cent. or more of the voting rights of the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of voting rights</i>
B.G.I. Investments (1961) Ltd ⁽ⁱ⁾	48,516,478	44.11
Schroders Plc.	14,752,397	13.41
Donald L. Sturm and the Sturm Family Foundation	9,106,600	8.28

- (i) B.G.I. Investments (1961) Ltd. hold voting rights over 48,516,478 Ordinary Shares as follows:
- (a) BGI has the right to exercise the voting rights over 12,117,043 Ordinary Shares (representing 11.02 per cent. of the voting rights of the Company) which are legally held by BGI;
 - (b) BGI has the right to exercise the voting rights over 15,398,636 Ordinary Shares (representing 14.00 per cent. of the voting rights of the Company) which are legally held by B.G. Alpha Ltd., a wholly owned subsidiary of Niva Finance Ltd. which in turn is a wholly owned subsidiary BGI;
 - (c) BGI has the right to exercise the voting rights over 6,092,233 Ordinary Shares (representing 5.54 per cent. of the voting rights of the Company) which are legally owned by Israel 18, pursuant to a shareholders' agreement between BGI, BGA and Israel 18;
 - (d) BGI has the right to exercise the voting rights over 4,541,524 Ordinary Shares (representing 4.13 per cent. of the voting rights of the Company) (which are legally owned by Fortissimo Capital Management Ltd., in respect of which Fortissimo Capital Management Ltd. has granted a power of attorney to Israel 18), which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18;
 - (e) BGI has the right to exercise the voting rights over 7,741,392 Ordinary Shares (representing 7.04 per cent. of the voting rights of the Company) (which are legally owned by Naftali Shani, in respect of which Naftali Shani has granted a power of attorney to Israel 18), which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18; and
 - (f) BGI has the right to exercise the voting rights over 2,625,650 Ordinary Shares (representing 2.39 per cent. of the voting rights of the Company) (which are legally owned by minor shareholders of the Company, in respect of which such shareholders have granted a power of attorney to Israel 18, which in turn has granted a proxy to BGI pursuant to a shareholders' agreement between BGI, BGA and Israel 18).
- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company; nor is the Company aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.4 The persons referred to in paragraphs 5.1 and 5.2 above do not have voting rights that differ from those of other Shareholders.
- 5.5 Save as otherwise set out above and save in respect of the interests of the Directors and their immediate families (all of which are beneficial) in the share capital of the Company described in paragraph 5.1 above, no Director has any actual or potential conflicts of interest between their duties to the Company and their private interests and/or other duties. Mr. Schneorson and Mr. Winderboim are directors of BGI. There are no current conflicts of interests between their duties to BGI and the Company. However, if a conflict were to arise, the Company has appropriate policies in place to manage such a conflict.
- 5.6 The Directors and members of the Senior Management currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the Senior Management:

<i>Name</i>	<i>Present</i>	<i>Past</i>
<i>Directors</i>		
Rabbi Abraham Wolff		ZBI Ltd. BGI Investments (1961) Ltd.
Israel Jossef Schneorson	BGI Investments (1961) Ltd. Willi-Food Investments Ltd. G. Willi-Food International Ltd.	Kisi Chic (owner) ZBI Ltd. BSD Group
Zvi Shur	Kardan Nadlan	Shemen Industry
Yossef Schvinger		Boymelgreen Capital
Chanoch Winderboim	BGI Investments (1961) Ltd. Willi-Food Investments Ltd. G. Willi-Food International Ltd.	ZBI Ltd.

<i>Name</i>	<i>Present</i>	<i>Past</i>
Keren Arad-Leibovitz	Tower Vision Jersey Ltd. Tower Vision Mauritius Ltd. Shay Leibovitz Management Services Ltd. (family company) Fore Group Management and Investment Ltd.	Tower Vision Ltd. CTware Ltd. Cellnet Ltd. ITS Integrated Telecom Systems Ltd.
Senior Management		
Eyal Merdler	BGI Investments (1961) Ltd.	ZBI Ltd Willi-Food Investments Ltd.
Joseph Williger	G. Willi-Food International Ltd. W.F.D (import, marketing and trading) Ltd. Gold Frost Ltd.	
Zwi Williger	G. Willi-Food International Ltd. Gold Frost Ltd. Willi-Food Investments Ltd. Titanic Food Ltd.	
Gil Hochboim	Willi-Food Investments Ltd. Gold Frost Ltd	

The business address of all the directors and members of the Senior Management of the Company is 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301, Israel.

- 5.7 None of the Directors or members of the Senior Management of the Company has at any time within the last five years:
- 5.7.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
 - 5.7.2 been the subject of any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
 - 5.7.3 save as set out below, been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or
 - 5.7.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.
- 5.8 Eyal Merdler was Chief Financial Officer and Company Secretary of Tao Tsut Ltd which was put into liquidation in the last five years.
- 5.9 Keren Arad-Leibovitz was a director of Fore Group Management and Investment Ltd. and ITS Integrated Telecoms Systems Ltd. (a Fore Group Company) both of which were put into liquidation in the last five years.
- 5.10 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 5.11 No asset of any Director has at any time been the subject of a receivership.
- 5.12 None of the Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.

- 5.13 Save as disclosed in this document, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.
- 5.14 Save in respect of the interests of the Directors and their immediate families (all of which are beneficial) in the share capital of the Company described in paragraph 5.1 above, no Director has any actual or potential conflicts of interest between their duties to the Company and their private interests and/or other duties.
- 5.15 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director or member of Senior Management was selected.
- 5.16 There are no restrictions agreed by any Director or member of Senior Management of the Company on the disposal within a certain period of time of their holdings in the Company's securities.

6. MERGERS, ACQUISITIONS AND TAKEOVERS

- 6.1 Mergers are permitted under the Israeli Companies Law, provided that each party to the transaction obtains the approval of its board of directors and shareholders. For the purposes of the shareholder vote of each party, unless a court rules otherwise, the merger will not be deemed to have been approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, have voted against the merger. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of that party. Finally, a merger may not be completed unless at least: (i) 30 days have passed since the merger was approved by the shareholders of each party to the merger; and (ii) 50 days have passed from the time that the requisite proposals for approval of the merger have been filed with the Israeli Registrar of Companies.
- 6.2 In addition, provisions of the Israeli Companies Law that deal with “**arrangements**” between a company and its shareholders may be used to effect “**squeeze-out**” transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares who vote on the matter. In addition to shareholder approval, court approval of the transaction is required, which entails further delay.
- 6.3 The Israeli Companies Law also provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, a person would become a holder of 25 per cent. or more of the company. This rule does not apply if there is already another 25 per cent. shareholder of the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would become a holder of 45 per cent. or more of the company, unless there is already another 45 per cent. shareholder of the company.

This requirement does not apply if the acquisition is made in a private placement provided that the company's shareholders approve such private placement as a private placement which is intended to grant the placee a holding of either: (a) 25 per cent. or more of the company, if there is not already another 25 per cent. shareholder of the company; or (b) 45 per cent. or more of the company, if there is not already another 45 per cent. shareholder of the company. In addition, this requirement will not apply upon the purchase of shares from either: (i) a holder of 25 per cent. or more of the company which results in a person becoming a holder of 25 per cent. or more of the company; or (ii) a holder of 45 per cent. or more of the company which results in the purchaser holding more than 45 per cent. of the company.

The tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5 per cent. of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer may be consummated only if: (i) at least 5 per cent. of the company's

outstanding shares will be acquired by the offeror; and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

- 6.4 Shares that are acquired in violation of this requirement to make a tender offer will be deemed “**dormant shares**” and will have no rights whatsoever for so long as they are held by the acquirer.
- 6.5 If, as a result of an acquisition of shares, the acquirer will hold more than 90 per cent. of a company’s outstanding shares, the Israeli Companies Law requires that the acquisition be made by means of a tender offer for all of the outstanding shares. If less than 5 per cent. of the outstanding shares are not tendered in the tender offer, all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within three months following the consummation of a full tender offer. If more than 5 per cent. of the outstanding shares are not tendered in the tender offer, then the acquirer may not acquire the shares in the tender offer that will cause his shareholding to exceed 90 per cent. of the outstanding shares.

7. DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION AND SERVICE AGREEMENTS

Directors

- 7.1 As at the date of this document, Israel Jossef Schneerson does not have a service contract or letter of engagement with any member of the Group, nor does he receive any remuneration from any member of the Group for the services he provides. The Company is currently discussing the terms of an appropriate service contract with Israel Jossef Schneerson. Approval for the entry into such agreement will be sought at an extraordinary general meeting of the Company in due course.
- 7.2 Each of the non-executive directors of the Company has entered into a letter of appointment with the Company. Such letters of appointment are terminable by such non-executive directors at any time. The appointments of non-executive directors are terminable by the Company in accordance with Israeli law including, where necessary, with shareholder approval. Each of the non-executive directors (other than Rabbi Abraham Wolff) is entitled to a fee of £20,000 per annum, paid quarterly.

Senior Management

- 7.3 As at the date of this document, Eyal Merdler does not have a service contract or letter of engagement with any member of the Group, nor does he receive any remuneration from any member of the Group for the services he provides. The Company is currently discussing the terms of an appropriate service contract with Eyal Merdler. A summary of the terms of such service contract will be set out in the circular to shareholders to be prepared in due course for the purpose of calling the extraordinary general meeting of the Company to approve the service contract to be entered into by Mr. Schneerson.
- 7.4 On 1 June 1998, WFINT entered into management services agreements with companies controlled by each of Zwi Williger and Joseph Williger, respectively (collectively, the “**Williger Management Companies**”), pursuant to the terms of which Messrs. Williger agreed to provide management services to WFINT on behalf of the Williger Management Companies (the “**Management Services Agreements**”).

The term of each of the Management Services Agreements was for a period of four years commencing on 1 June 1998 (the “**Management Services Period**”) and were subsequently renewed at various intervals. Upon the latest renewal, the term of the Management Services Period is set to expire on 14 September 2014 although at the AGM of WFINT convened for 21 August 2014, it is proposed that the Management Services Period be extended for a further three year period from the date of the meeting.

Under the terms of the Management Services Agreements, each of the parties may terminate the relevant agreement for any reason: by prior written notice which will be delivered to the other party as follows:

- (a) in the case of WFINT, upon prior written notice of at least 18 months; and
- (b) in the case of a Williger Management Company, by prior written notice of at least 180 days.

The terms of the Management Services Agreements provide that in the event the Williger Management Company provides the management services to WFINT without the presence of Messrs. Zwi Williger or Joseph Williger, as the case may be, and/or in the case of the death and/or permanent disability of Messrs. Zwi Williger or Joseph Williger, WFINT will be entitled to terminate the Management Services Agreement immediately.

If a Williger Management Company terminates the Management Services Agreement, the Williger Management Company would be entitled to receive the management fees for a period of twelve (12) months, which will begin after the prior notice period, whether or not it provides WFINT with any management services during such twelve month period.

Each of the Management Services Agreements provides for monthly service fees which are linked to the Israeli consumer price index of NIS 102,900 (excluding VAT) and an annual bonus at a rate of 3 per cent. of WFINT's pre-tax consolidated annual profits, if such profits are equal to or less than NIS 3.0 million (approximately US\$0.8 million), or at a rate of 5 per cent. of WFINT's pre-tax consolidated annual profits if such profits exceed that level. As at the date of this document, the monthly service fees are approximately NIS120,000. The Management Services Agreements further provide that benefits in general, including the social benefits of Messrs. Williger, and income tax payments, national insurance payments and other amounts payable by employees with respect of their employment, are to be paid for at the sole expense of the Williger Management Companies. The Williger Management Companies indemnify WFINT with respect to any claims against WFINT with respect to employer/employee relations. In addition, each of the Management Services Agreements includes non-competition provisions for the duration of the Management Services Period as well as confidentiality provisions.

Both Messrs. Zwi Williger and Joseph Williger have agreed with WFINT that if a liquidation order or receivership order is issued against a Williger Management Company which prevents the Williger Management Company from continuing to provide the management services according to the Management Services Agreement, they will immediately commence working for WFINT in return for pay and social benefits costing WFINT the same amount as the monthly management fees that WFINT paid the Williger Management Company to that date, or alternatively, at their sole discretion, shall begin providing WFINT with management services via another company owned and controlled by them under the conditions of the Management Services Agreement.

In addition, the Management Services Agreements contain provisions regarding WFINT providing vehicles for the use of Messrs. Zwi Williger and Joseph Williger, and regarding full reimbursement of expenses incurred by Messrs. Zwi Williger and Joseph Williger while providing the management services to WFINT, including reasonable lodging and travel expenses in Israel and abroad, phone expenses in their home and mobile phone expenses, including calls abroad related to providing the management services to WFINT, subject to providing receipts.

The Management Services Agreements contain provisions entitling each of Messrs. Zwi Williger and Joseph Williger to 30 days holiday per year, during which days the relevant Williger Management Company will not be required to provide management services to WFINT. Unused holiday may be accumulated and paid for in lieu of taking such days as holiday.

- 7.5 Since 14 August 2013, BGI has been providing the Company with the services of Mr Israel Schneerson (the Company's CEO), Mr Eyal Merdler (the Company's CFO and Company Secretary) and other administrative services (the "**Management Services**") at no cost to the Company.

The Company is currently in the process of agreeing terms pursuant to which Mr Schneerson, Mr Merdler and others will provide their services directly to the Company, with those agreements taking effect subject to the Company receiving all the necessary corporate approvals required to enter into those agreements and as of receiving the required approvals (including the approval of the Company's Audit Committee, Remuneration Committee, Board of Directors and Shareholders in general meeting).

BGI and the Company are in the process of agreeing that, for the period commencing on 1 January 2014 and ending upon the Company receiving the necessary approvals (the “**Effective Date**”), the payment of BGI’s fees for the Management Services shall be contingent on the Company receiving the approval of the Shareholders at an extraordinary general meeting.

In addition, the Company is in the process of agreeing with BGI terms pursuant to which the Company will, as from the Effective Date, provide BGI with certain Management Services, including, among others, the services of a CEO, CFO and Company Secretary, through certain of the Company’s employees and officers (including Mr Schneorson and Mr Merdler), in consideration of the payment of a monthly fee by BGI (to be set off against any amounts paid by BGI to Mr Schneorson, Mr Merdler and others in relation to the same period), subject to the Company receiving all the necessary corporate approvals required to enter into those arrangements (including the approval of the Company’s Audit Committee, Remuneration Committee, Board of Directors and Shareholders in general meeting).

Approval for the entry into these agreements will be sought at an extraordinary general meeting of the Company in due course.

- 7.6 In June 2007, WFINT entered into an employment agreement with Gil Hochboim, pursuant to which Mr. Hochboim agreed to serve as the Vice President of WFINT. The agreement provides for a monthly salary of NIS33,000 and benefits customarily provided by WFINT to its senior employees, including bonuses and the use of a vehicle or payments for his own vehicle expenses. There was no change in the terms of Mr. Hochboim’s employment agreement when he was appointed as the CEO of WFINT in February 2012. At the AGM of WFINT convened for 21 August 2014, it is proposed that amendments to Mr. Hochboim’s employment agreement be proposed in order to enable WFINT to grant future annual bonuses to Mr. Hochboim, if any, in accordance with WFINT’s compensation policy, including meeting any targets established by WFINT and subject to any required approvals under law. At the same AGM, it is also proposed that Mr. Hochboim be granted a bonus of NIS200,000 (US\$58,500) in recognition of, among other things, his contribution to the performance, business results and profits of WFINT in 2013.
- 7.7 In the financial year ended 31 December 2013, the aggregate remuneration (including pension fund contributions and benefits in kind) payable to the directors of the Company was NIS2.6 million (£0.466 million) (2012: NIS2.5 million (US\$0.4 million)). The aggregate remuneration of the Directors and Senior Management in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be approximately NIS689,000 (£120,000).

Details of the remuneration for the non-executive directors of the Company as at the date of this document are as follows:

<i>Director</i>	<i>Salary</i>	<i>Appointment Date</i>
Rabbi Abraham Wolff	–	14 August 2013
Zvi Shur	£20,000	11 September 2007
Yossef Schvinger	£20,000	14 August 2013
Chanoch Winderboim	£20,000	14 August 2013
Keren Arad-Leibovitz	£20,000	14 August 2013

8. THE COMPANY AND ITS SUBSIDIARIES

The Company is the holding company of the Group and has the following principal subsidiaries:

<i>Name</i>	<i>Country of registration or incorporation</i>	<i>Registered Office</i>	<i>Principal activity</i>	<i>Percentage of issued share capital held (directly or indirectly) by the Company and (if different) proportion of voting power held</i>
Emoze Ltd.	Israel	132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv, Israel.	Provider of mobile push messaging and push content solutions for handset manufacturers, mobile operators and enterprises.	95
Willi-Food Investments Ltd.	Israel	4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel	Holding company	62.21
G. Willi-Food International Ltd.	Israel	4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel	Manufacturing and distribution of food products.	56.31
WFD (import, marketing and trading) Ltd.	Israel	4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel	Importer of products	56.31
Gold Frost Ltd.	Israel	4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel	Designing, developing and distributing frozen and chilled food products	56.31

9. PRINCIPAL ESTABLISHMENTS

The principal establishments of the Group are as follows:

<i>Company</i>	<i>Location</i>	<i>Approx. area</i>	<i>Tenure</i>	<i>Current rent (per annum excl. of VAT)</i>	<i>Term of lease</i>
Emblaze Ltd. and Emoze Ltd.	132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv, Israel.	236 sq. m.	Leasehold	NIS 319,000 (US\$92,000) with incremental increases over the term of the lease rising to NIS 396,000 (US\$114,000) in the final year	February 2014 – February 2019
WFI and WFINT	4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel	8,600 sq. m. (including the logistics centre on site)	Freehold	N/A	N/A
WFI and WFINT	Shop at 5 Korazim St., Givatayim, Israel	68.4 sq. m.	Leasehold	NIS13,000 (US\$4,000) with a 6 per cent. increase year on year over the remaining period	July 2012–July 2017 (with the ability for Willi- Food to extend the term for an additional five- year period)

10. NOTIFICATIONS OF SHAREHOLDINGS

The provisions of DTR 5 apply to the Company and its Shareholders. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the thresholds of five per cent. (5 per cent.), 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 50 per cent. and 75 per cent. DTR 5 provides that disclosure by a Shareholder to the Company must be made within four trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification and by no later than the end of the trading day following such receipt.

11. MATERIAL CONTRACTS

Save as set out below in paragraph 12, the following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document (or which are expected to be entered into prior to Admission) and which are, or may be, material or which have been entered into at any time by any member of the Group and which contains any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

11.1 *Acquisition of controlling stake in WFI*

A sale and purchase agreement dated 2 March 2014 (the “**WFI Agreement**”) between the Company on the one hand, and Zwi Williger and Joseph Williger (the “**Sellers**”) on the other hand, pursuant to which the Company acquired a controlling stake in WFI.

Under the WFI Agreement, the Company: (i) acquired the Sellers’ entire shareholdings in WFI, amounting in aggregate to 58 per cent. of the shares of WFI (or approximately 55 per cent. on a fully diluted basis); and (ii) published a special tender offer (the “**Special Tender Offer**”) addressed to all

shareholders of WFI (including the Sellers) in accordance with Israeli Companies Law in order to acquire additional shares carrying 5 per cent. of the voting rights in WFI. The Special Tender Offer was completed on 1 May 2014 and 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 on a fully diluted basis), for aggregate consideration of NIS284.7 million.

Under the WFI Agreement, the Company 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 Shares**” and the “**WFINT Put Option**” respectively). The WFINT Put Option is exercisable by the Sellers for a period of four years commencing 11 months from completion of the Acquisition, at a price of US\$12 per share. 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 US\$12, subject to compliance with applicable laws, during the WFINT Put Option exercise period. The power of attorney may be cancelled by the Sellers at any time during that period, although such cancellation would lead to the immediate cancellation of the WFINT Put Option in respect of such WFINT Put Option Shares. The Sellers granted the Company an irrevocable proxy with respect to their holdings in WFINT, so as to allow the Company to vote such shares at general meetings of WFINT during the period commencing on completion of the Acquisition and expiring on the exercise or expiry of the WFINT Put Option.

Under the WFI Agreement, the Sellers agreed to continue to be engaged by WFINT as chairman of the board of WFINT (in respect of Zvi Williger) and president of WFINT (in respect of Joseph Williger), or as joint chief executive officers of WFI, for an additional period of between 18 months and three years commencing upon termination of their current service agreements with WFINT (September 2014). Subject to further agreement between the parties and to applicable law, the Sellers may continue their respective engagement following such period. In addition, each of the Sellers is prohibited from competing against Willi-Food in any material way, subject to certain agreed exceptions described below, 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. In consideration of such non-compete undertakings, each of the Sellers is entitled to an additional annual payment of NIS1.5 million (approximately £0.25 million) per year following termination of his respective engagement, to be paid by the Company and subject to applicable law.

Under the WFI Agreement, each of the Sellers shall have the rights to be released from his engagement with WFINT where: (i) Willi-Food’s accounts will include a ‘going concern’ provision as a result of any activity which is not within the Willi-Food’s business operations in the field of import, export, marketing and distribution of food products (the “**Current Business Activity**”); (ii) the board of directors of WFI, WFINT or any other member of the Willi-Food group materially disrupts Zvi Williger or Joseph Williger’s ability to operate in the Current Business Activity as part of said engagement; (iii) Zvi Williger or Joseph Williger are not reappointed as directors of WFI or WFINT during said engagement period; (iv) WFI or the Company, as the case may be, have not voted, as shareholders of WFINT, in favour or extending Zvi Williger and Joseph Williger’s service contracts; (v) Zvi Williger or Joseph Williger’s engagements were terminated for unreasonable reasons by WFI or WFINT; (vi) there occurs a sale of control in the Current Business Activity, WFI or WFINT to a third party; (vii) there occurs an introduction of a third party as a partner in the Current Business Activity or in the control in WFI or WFINT unless previously approved by the Sellers, such approval not to be unreasonably withheld; or (viii) Zvi Williger or Joseph Williger are incapacitated, in which case (except in the case of (viii) above) the non-compete undertaking referred to above shall cease to apply in relation to him.

The Acquisition was completed on 4 May 2014. Following completion of the Acquisition, the Company nominated directors which comprise the majority of the board of directors of both WFI and WFINT.

11.2 *Supply agreement with Arla Foods amba*

On 17 March, 2005, Goldfrost Ltd. (“**GF**”) signed a distribution agreement with Danish food producer Arla Foods amba (“**AF**”) under which GF was granted exclusive rights to import, market and distribute certain cheese and butter products produced by AF within the territory of Israel (excluding Gaza and the West Bank). The agreement’s initial term expires in March 2015 but the Company expects that it will automatically renew for a further period of five (5) years, during which time either party may terminate by 90 days written notice. The agreement covers brands including “Fetina”, “Lurpak”, “Pizzatop” and “3 Cows” amongst others and requires GF to make a certain minimum level orders as well as placing certain restrictions on GF’s ability to market competing products where AF is able to provide suitable alternatives at reasonable market prices. In addition to standard termination provisions, the agreement may be terminated upon three (3) months’ notice from AF, if Zwi Williger ceases to be involved in GF’s business or upon a change of control of over 50 per cent. of the voting rights in GF.

11.3 *Depository arrangements*

11.3.1 A depository agreement dated 2008 between (1) the Company and (2) Capita Trustees pursuant to which Capita Trustees agree to provide depository services to the Company. Pursuant to the provision of these services, Capita Trustees agree to execute a deed poll, details of which are set out below.

11.3.2 The Depository Interests have been created pursuant to and issued on the terms of a deed poll dated 2008 executed by Capita Trustees in favour of the holders of the Depository Interests from time to time (the “**Deed Poll**”). Ordinary Shares were transferred to an account of Capita Trustees or its nominated custodian (a “**Custodian**”) and Capita Trustees issued Depository Interests to participating members.

11.3.3 Each Depository Interest is treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends, and Capita Trustees will pass on to the holders of Depository Interests any stock or cash benefits received by it as holder of Ordinary Shares on trust for such Depository Interest holder.

11.3.4 In summary, the Deed Poll contains the following provisions:

- (a) The Depository holds (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company for the benefit of the holders of the relevant Depository Interests.
- (b) Holders of Depository Interests warrant, inter alia, that the securities in the Company transferred or issued to the Custodian on behalf of the Depository are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company’s constitutional documents or any contractual obligation, law or regulation.
- (c) The Depository and any Custodian shall pass on to the Depository Interest holders and, so far as they are reasonably able, exercise on behalf of the Depository Interest holders all rights and entitlements received or to which they are entitled in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.
- (d) The Depository is entitled to cancel Depository Interests and withdraw the underlying securities in certain circumstances including where a Depository Interest holder has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Depository Interests.

- (e) The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a holder of Depositary Interests is limited to the lesser of:
 - (i) the value of the shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and
 - (ii) that proportion of £5 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the Depositary Interest holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay all such holders in respect of the same act, omission or event or, if there are no such amounts, £5 million.
- (f) The Depositary is entitled to charge holders fees and expenses for the provision of its services under the Deed Poll.
- (g) Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees), and hold each of them harmless from and against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of Depositary Interests held by that holder, other than those resulting from the wilful default, negligence or fraud of (i) the Depositary, or (ii) the Custodian or any agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.
- (h) The Depositary may terminate the Deed Poll by giving not less than 30 days' notice. During such notice period, Depositary Interest holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary shall, as soon as reasonably practicable, and amongst other things, (i) deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holder or, at the Depositary's discretion, (ii) sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to the Depositary Interest holders in respect of their Depositary Interests.
- (i) The Depositary or the Custodian may require from any holder information as to the capacity in which Depositary Interests are owned or held by such holders and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying securities in the Company and holders are bound to provide such information requested. Furthermore, to the extent that, inter alia, the Company's constitutional documents require the Depositary's disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in the Company's securities, the Depositary Interest holders are to comply with such provisions and with the Company's instructions with respect thereto.
- (j) The Depositary Interests have the same security code (ISIN) as the underlying Ordinary Shares and are not be required to be admitted separately to trading on the London Stock Exchange.

It should also be noted that holders of the Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of the Depositary Interests to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of the Depositary Interests to vote such Ordinary Shares as a proxy of the Depositary or its nominated Custodian.

12. RELATED PARTY TRANSACTIONS

12.1 *The Emblaze Group*

Save as set out in this document and other than those matters referred to in Note 16 to the Financial Statements of the Emblaze Group as of 31 December 2013 and for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011 which are incorporated by reference into this document, during the period commencing on 1 January 2011 and terminating on the date of this document, no member of the Emblaze Group has entered into any related party transaction.

12.2 *Willi-Food*

Save as set out in this document and other than those matters referred to in Note 27 to the Historical Financial Information of Willi-Food as of 31 December 2013 and for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011, during the period commencing on 1 January 2011 and terminating on the date of this document, no member of the Willi-Food Group has entered into any related party transaction.

13. WORKING CAPITAL

The Company is of the opinion that the working capital of the Group is sufficient for its present requirements, that is, for at least the period of 12 months from the date of publication of this document.

14. LITIGATION

Save in respect of the litigation referred to below, there are no governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any governmental, legal or arbitration proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

14.1 *Claims in respect of Mr Reifman*

The Company and some of its past directors and officers were named as defendants in three separate claims, all in connection 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 report in a timely manner 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 directors and officers as defendants as follows:

14.1.1 In November 2010, a claim was filed against the Company and its subsidiary, ELSE Ltd (a company whose operations have been since discontinued), in the Tel Aviv Labour Tribunal, by the trustee of Mr Reifman's estate in bankruptcy, claiming for employment termination compensation. The claim against the Company was dismissed in December 2011. In May 2013, the claim against ELSE Ltd. was dismissed by settlement between the parties according to which ELSE Ltd. agreed to release the accrued pension funds of the former employee of approximately US\$50,000.

- 14.1.2 In April 2012, two of Mr Reifman's creditors filed a claim against the attorneys that represented them in their transaction with Mr Reifman, alleging malpractice, negligence and a failure by their attorneys to properly secure their loans to Mr Reifman. As part of this claim, the two creditors also named the Company and some of its directors and officers, as well as the Company's external legal adviser and auditors, as defendants for the sake of prudence. The claim is for a sum of NIS 73.3 million (approximately US\$21.1 million). A defence was filed in August 2012. The claim has been referred by the court to mediation between the various parties. The Company has alerted its Directors & Officers Liability insurers in this matter.
- 14.1.3 In June 2012, several other creditors of Mr Reifman filed a claim against the Company, some of its directors and officers as well as against its external legal adviser and auditors. The claim is for a sum of NIS 86.6 million (approximately US\$24.9 million). A defence was filed in October 2012. In June 2013, the District Court accepted in part the request by the Company and some of its directors and officers for dismissal of the claim. The District Court dismissed the claim with respect to two of the claimants, thus reducing the total sum of the claim to NIS 81.8 million (approximately US\$23.5 million). The Company still waits the decision of the Supreme Court on its appeal against the permission granted on 26 December 2011 by the Bankruptcy Court in Israel to the trustee to Mr Reifman's bankruptcy to represent the majority of Mr Reifman's creditors in this claim. The Company alerted its Directors & Officers Liability insurers in this matter.
- 14.1.4 In November 2012, two creditors of Mr Reifman filed a claim for NIS 30 million (approximately US\$8.6 million) against the attorneys involved in their transactions with Mr Reifman. Those attorneys submitted a third-party notification against numerous parties that were involved in the transaction, as well as against the Company and some of its directors and officers, asserting that they are to be indemnified in the event that the claim is successfully brought against them. The third party claim is for a sum of NIS 7.6 million (approximately US\$2.2 million). A defence was filed in January 2013.
- 14.1.5 At the request of the Administrator for Mr Reifman's bankruptcy (who was later appointed as the trustee to Mr Reifman's bankruptcy), the Tel- Aviv District court issued an ex-parte temporary injunction on 6 September 2010, ordering the Company to withhold 27.75 per cent. of any dividend the Company may decide to distribute. Following an appeal filed by the Company, the 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.

The proceedings pursuant to the claims mentioned in paragraphs 14.1.2 to 14.1.4 above are currently suspended in order to allow for the exhaustion of mediation proceedings initiated by the respective parties following the recommendation of the court.

While the claims mentioned above are still in preliminary stages and subject to mediation, the Company's legal advisers are of the opinion that the potential liability arising under these claims is not significant.

14.2 ***EMSL VAT Claim***

Emblaze Mobility Solutions Limited ("**EMSL**"), a subsidiary of the Company (a company whose operations have since been discontinued), was involved in a dispute with HMRC regarding a decision made by HMRC to withhold VAT reclaims from Global Telecom Distribution Plc ("**GTD**") and raise an assessment relating to GTD's VAT return in the sum of approximately £8.8 million. These actions taken by HMRC were not specifically targeted at GTD but, rather, represent a part of the general measures applied by HMRC in its battle against VAT fraud exposed within the mobile telephone handset sector in which GTD had operated. As a result of the action taken by HMRC, GTD ceased its business activities and an administrative receiver was appointed to GTD in May 2007. In 2010, the first-tier tribunal ruled in favour of EMSL and ordered HMRC to pay EMSL the full value of input tax. HMRC did not appeal the first-tier tribunal order but did not pay EMSL as ordered. In 2011, EMSL filed for Judicial Review in the High Court of Justice to order actual payment as ruled by the

tribunal. In July 2011, the High Court of Justice ordered HMRC to make an immediate payment of the undisputed VAT reclaims, which the Company received. In May 2012, the High Court of Justice has ordered that EMSL be paid the balance of sums withheld by HMRC of approximately £1.5 million. In July 2014, EMSL's application for interest (to be calculated on the aggregate sum of approximately £8.4 million) was granted by HMRC's First-Tier Tribunal Tax Chamber although the amount of such interest to be paid to EMSL is yet to be agreed between EMSL and HMRC.

14.3 *Intellectual property claims*

14.3.1 In July 2010, the Company filed a complaint in the Federal Court of Northern California (in San Jose), USA, against Apple Inc. for infringement of the Company's U.S. Patent No. 6,389,473 through Apple's HTTP Live Streaming protocol used in Apple products such as iPhones and iPads (the "**Apple Claim**"). On 8 July 2014, an expert engaged by the Company estimated the value of the Apple Claim to be in the amount of approximately US\$511 million for the period through June 2013. On 11 July 2014, the jury in the case found that Emblaze's patent is valid but that Apple Inc. had not infringed it. The Company is currently considering the verdict and will take appropriate steps, if any, after consulting with its legal counsel.

14.3.2 In October 2012, the Company filed another complaint (the "**Microsoft Claim**") with the US District Court for the Northern District of California for patent infringement against Microsoft Corporation ("**Microsoft**"). The Company asserts that Microsoft's IIS Smooth Streaming system infringes Emblaze's U.S. patent No. 6,389,473 for media streaming technology. Microsoft has been using this technology to allow devices running on Windows 7 OS and Windows Phone 7 OS (and above) to view live streaming multimedia content; Microsoft has also been using the technology to provide the Windows Azure Media services (Cloud services).

14.3.3 With respect to the Microsoft Claim and the Apple Claim, the Company has entered into a number of arrangements with its legal advisers and other advisers (including employees) whereupon the Company has agreed to pay, in aggregate, a substantial percentage of any settlement or recovery achieved in respect of those claims to such advisers.

14.3.4 On 2 November 2013 and, as amended, on 26 June 2014, the Company also entered into written arrangements with Naftali Shani (the "**Power to Act**") whereby it appointed Naftali Shani to manage and represent the Company in:

- (a) all the Company's intellectual property matters;
- (b) the Apple Claim;
- (c) the Microsoft Claim;
- (d) any other claims for infringement of the Company's intellectual property; and
- (e) any licencing of the Company's intellectual property.

Under the Power to Act, Naftali Shani is authorised to direct and advise the Company on the management of the Apple Claim and the Microsoft Claim and any potential additional claims or legal actions against any other infringers of the Company's intellectual property.

The Power to Act requires Naftali Shani to, amongst other things:

- (a) obtain specific authority from the Audit Committee of the Company for any single item of expenditure in excess of US\$180,000; and
- (b) obtain Board approval for settlement or rejection of an offer of settlement in any of the claims and/or for disposition of Company's intellectual property.

The Company allocated an initial budget of US\$3 million to be applied towards the intellectual property matters governed by the Power to Act. This amount was increased by approximately

US\$250,000 on 2 July 2014 and a further up to US\$450,000 on 22 July 2014. This amount may be further increased if required, subject to the approval of the Board.

Under the Power to Act, Naftali Shani is authorised by the Company to do anything which can be done under any law by the Company in relation to the matters governed by the Power to Act and the Company accepts and assumes, and shall implement and adopt any and all actions executed by Naftali Shani within the boundaries of his authorities under the Power to Act.

14.4 ***WFINT claim against Thurgeman Construction Co. Ltd.***

A claim was filed by WFINT against a contractor, planner and architect for construction defects in the roof of Willi-Food's logistical centre, which were discovered after the case which had been previously litigated against the contractor for the same project concluded.

The amount of the claim is approximately NIS4.1 million (US\$1.2 million). Submission of statements of defence by the contractor took place in February 2014. Thurgeman has recently submitted its statement of defence. Willi-Food's legal advisers estimate the chances of the lawsuit's success, at least in part, are good.

14.5 ***Claim relating to Willi-Food's operation***

On 7 July 2008, WFI Kosher Food Distributors Ltd. (a subsidiary of WFINT, "WFIK") filed a claim in the Supreme Court of the State of New York, County of New York, against Laish Israeli Food Ltd., Laish Dairy Ltd., 860 Nostrand Associates LLC., Arie Steiner, Eli Biran (WFIK's former CEO) and others. WFIK asserted claims of, inter alia, fraud, conversion and breach of contract. Certain of those defendants moved to dismiss the complaint based on the execution of a 2007 settlement agreement. That motion was denied in 2009. In addition, those defendants who initially moved to dismiss the complaint filed a later motion requesting that the court reconsider its denial of their motion to dismiss based on recent decisions of New York's Court of Appeals. Following such application, the Court dismissed those claims which were the subject of a settlement agreement. On 27 August 2008, 860 Nostrand Associates LLC. filed a lawsuit against WFINT claiming that WFINT was liable to it as a guarantor of an alleged lease between WFIK and 860 Nostrand Associates LLC. Damages were being sought in the amount of US\$735,000 plus interest and legal fees. WFINT challenged the validity of the lease and guarantee. On 16 May 2014, the Company settled this claim for US\$600,000.

14.6 ***Class action lawsuit***

In December 2012, WFINT and Gold Frost were served with three purported class action lawsuits alleging that they misled customers by mislabelling some of the products that WFINT imports. The lawsuits seek to represent any Israeli resident who bought those products during the last seven years. The plaintiffs appraise total group damages at approximately NIS 33 million (approximately US\$8.8 million). At this preliminary stage, WFINT's management and legal counsel are not able to assess the chances of success of such claims.

14.6.1 A lawsuit was filed against WFINT in November 2013 in the sum of NIS10.1 million for misleading the public in regards to one its products being kosher. The date for submitting an answer to the motion has not yet passed and a date has not yet been set for a preliminary hearing.

14.6.2 A lawsuit was filed against WFINT in December 2013 in the sum of NIS50 million for failure to mark a danger of choking in Arabic. On 17 March 2014, a withdrawal agreement was entered into between the parties.

15. **GENERAL**

- 15.1 Other than with regard to completion of the Acquisition on 4 May 2014, there has been no significant change in the financial or trading position of the Group since 31 March 2014, the date to which the last unaudited interim financial statements of the Emblaze Group and the WFI Group were prepared.

- 15.2 The estimated costs and expenses relating to Admission payable by the Company are estimated to amount to approximately £800,000 (excluding VAT).
- 15.3 Kost Forer Gabbay & Kaiserer have given and not withdrawn their written consent to the inclusion of their report in Part 5 and the references to their report and to their name in the form and in the context in which it is included and have authorised the contents of their report.
- 15.4 Deloitte Brightman Almagor Zohar have given and not withdrawn their written consent to the inclusion of their report in Part 4 and the references to their report and to their name in the form and in the context in which it is included and have authorised the contents of their report.
- 15.5 finnCap is registered in England and Wales under number 06198898 and its registered office is at 60 New Broad Street, London EC2M 1JJ. finnCap is regulated by the Financial Conduct Authority and is acting in the capacity as financial adviser to the Company.
- 15.6 finnCap has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.7 Save as otherwise disclosed in this document there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for physical inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA from the date of this document until the first anniversary of Admission:

- 16.1 the memorandum of incorporation of the Company and the Articles;
- 16.2 the historical financial information relating to the Emblaze Group incorporated by reference in this document and referred to on page 187 below;
- 16.3 the historical financial information relating to the WFI Group set out in Part 4 of this document;
- 16.4 the Unaudited Pro-Forma Financial Information set out in Part 5 of this document;
- 16.5 the written consent letters referred to in paragraphs 15.3, 15.4 and 15.6 above; and
- 16.6 this Prospectus.

Dated: 29 July 2014

PART 9

DEFINITIONS

“102 Rules”	means the provisions of Section 102 of the Ordinance, the Income Tax Rules (Tax Relief in Issuance of Shares to Employees) 2003.
“2001 Plan”	means the 2001 Global Stock Option Plan of Emblaze.
“2008 Plan”	means the 2008 employee stock incentive plan of WFI under which WFI granted options to employees to acquire up to 100,000 ordinary shares in WFI.
“2013 Plan”	means the 2013 employee stock incentive plan of WFI under which WFI granted options to employees to acquire up to 100,000 ordinary shares in WFI.
“Acquisition”	means the acquisition by the Company of a controlling stake in WFI.
“Admission”	means admission of the Ordinary Shares to the Official List (standard segment) and to trading on the Main Market for listed securities.
“AF”	means Arla Foods Samba.
“Articles of Association” or “Articles”	means the articles of association of the Company as amended and in force from time to time.
“BGA”	means B.G. Alpha Ltd.
“BGI”	means BGI Investments (1961) Ltd., a public company incorporated under the laws of the State of Israel, with company number 510291750 and admitted to trading on the TASE whose registered office is located at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301, Israel.
“BGI Group”	means BGI and its subsidiaries.
“Board” or “Directors”	means the board of Directors of the Company.
“Bonds”	means the Series D bonds issued by WFI.
“Call Options”	means the call options held by the BGI Group in respect of 19.09 per cent. of the total issued and outstanding Ordinary Shares.
“CGT”	means UK capital gains tax.
“Capita Trustees” or “Custodian” or “Depository”	means Capita IRG Limited, The Registry, 34 Beckenham Road, Beckenham BR3 4TU or its nominated custodian who will hold Ordinary Shares on behalf of CREST members.
“Company” or “Emblaze”	means Emblaze Ltd. (to be renamed in accordance with the approval given by Shareholders at the Company’s annual general meeting on 3 July 2014), a public limited company incorporated under the laws of the State of Israel, with company number 52004290, whose registered office is located at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301, Israel.

“Concentration Law”	means the Law to Promote Competition and Reduce Concentration, 5774-2013.
“CREST”	the electronic settlement system to facilitate the holding and transfer of title to shares in uncertified form operated by CRESTCo.
“CRESTCo”	means Euroclear UK & Ireland Limited (formerly CRESTCo Limited), a company incorporated under the laws of England and Wales and the operator of CREST.
“Deed Poll”	means the deed poll entered into by the Custodian, which governs the relationship between the Custodian and the holders of DIs.
“Depository Interest Holder(s)”	means a holder of Depository Interests.
“DI” or a “Depository Interest”	a depository interest representing Ordinary Shares.
“Disclosure and Transparency Rules” or “DTR”	means the disclosure and transparency rules of the FCA.
“Emblaze Group” or “Enlarged Group” or “Group”	means the Company and its subsidiaries.
“Emoze”	means Emoze Ltd a company incorporated under the laws of the State of Israel, with company number 513122671 whose registered office is located at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301, Israel.
“Equity Securities”	means a Relevant Share or a right to subscribe for, or convert any security into a Relevant Share.
“Extended BGI Group”	means BGI Group and Israel 18.
“E&Y Israel”	means Kost Forer Gabbay & Kaiserer, a member of Ernst & Young Global.
“FCA”	the Financial Conduct Authority of the United Kingdom.
“FSMA”	means the Financial Services and Markets Act 2000 (as amended).
“GF” or “Gold Frost”	means Gold Frost Ltd a company incorporated under the laws of the State of Israel, with company number 520034828 whose registered office is located at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301, Israel.
“Grantee”	means the person to whom options are granted under the 102 Rules.
“HMRC”	means HM Revenue & Customs.
“IDB”	means IDB Holding Corporation Ltd. a company incorporated under the laws of Israel, with company number 520028283 whose registered office is located at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (44th floor), Tel Aviv 6702301, Israel.
“IFRS”	means the International Financial Reporting Standards adopted by the European Union.
“Israel 18”	means Israel 18 B.V. a Dutch company incorporated under the laws of the Netherlands with company number 3Y386290 whose registered office is located at Rietlandpark 125, 1019 DF, Amsterdam, Netherlands.

“Israeli Companies Law”	means the Israeli Companies Law 5759-1999.
“Listing Rules”	means the listing rules made by the UKLA pursuant to Part VI of FSMA.
“London Stock Exchange”	means London Stock Exchange plc.
“Main Market”	means the main market of the London Stock Exchange.
“NIS”	means New Israeli Shekels, the lawful currency of the State of Israel.
“Official List”	means the official list maintained by the UK Listing Authority.
“Options”	means the Put Options and the Call Options.
“Ordinance”	means the Israeli Income Tax Ordinance New Version 1961.
“Ordinary Share”	means ordinary shares of NIS0.01 in the capital of the Company.
“Put Options”	means the put options issued by the BGI Group in respect of 19.09 per cent. of the total issued and outstanding Ordinary Shares.
“Registrar”	means Capita Registrars (Jersey) Limited, 12 Castle Street, St Helier Jersey JE2 3RT, the Company’s registrar.
“Relevant Share”	means a share in the Company other than a share which, in respect of dividend and capital, carries a right to participate only up to a specified amount in a distribution.
“Shareholder” or “Ordinary Shareholder”	means a registered holder of an Ordinary Share.
“Share Option Schemes”	means the 2001 Plan, the 2008 Plan and the 2013 Plan.
“TASE”	means the Tel Aviv Stock Exchange.
“UK Corporate Governance Code”	means the UK Corporate Governance Code published by the Financial Reporting Council.
“UK-Israel Tax Treaty”	means the Convention Between the Government of the UK and the Government of the State of Israel With Regard to Taxes on Income.
“UK Listing Authority” or “UKLA”	means the UK Listing Authority, being the FCA acting as the competent authority for the purposes of Part VI of FSMA.
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland.
“WFI” or “Willi-Food Investments”	means Willi-Food Investments Ltd., a public limited company incorporated under the law of Israel, with company number 520038225, whose registered office is located at 4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel.
“WFINT” or “Willi-Food International”	means G. Willi-Food International Ltd., a public limited company incorporated under the laws of the State of Israel, with company number 520043209, whose registered office is located at 4 Nahal Harif St., Northern Industrial Zone, Yavne, 8122216, Israel.
“W.F.D.”	means W.F.D. (Import marketing and trading) Ltd. company incorporated under the laws of Israel whose registered office is located at 132 Menachem Begin Road, Azrieli Center, Triangle Tower (40th floor), Tel Aviv 6702301, Israel.
“Willi-Food” or “WFI Group”	means WFI and its subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of Emblaze and of the Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Emblaze. Those parts of the documents referred to below which are not incorporated by reference into this document are not necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Emblaze on the basis of the information contained within this document.

<i>Document</i>	<i>Section</i>	<i>Page numbers in such document</i>
Interim Condensed Consolidated Financial Statements for the Emblaze Group as of 31 March 2014 and for the three months ended 31 March 2014	Report on Review of Interim Condensed Consolidated Financial Statements	2
	Interim Condensed Consolidated Statements of Financial Position	3–4
	Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income	5
	Interim Condensed Consolidated Statements of Changes in Equity	6–7
	Interim Condensed Consolidated Statements of Cash Flows	8–9
	Notes to Interim Condensed Consolidated Financial Statements	10–12
Annual Report and Financial Statements for the Emblaze Group as of 31 December 2013 and for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011	Report on Directors' Remuneration	34 to 36
	Independent Auditors' Report	F2
	Consolidated Statements of Financial Position	F3 to F4
	Consolidated Statements of Profit or Loss and other Comprehensive Income	F5
	Consolidated Statements of Changes in Equity	F6 to F7
	Consolidated Statements of Cash Flows	F8 to F9
	Notes to Consolidated Financial Statements	F10 to F39

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

The documents listed above are available on and can be printed from the Company's website (www.emblaze.com) in "read only" format. The Company will provide, without charge, to each person to whom a copy of this document has been delivered, upon the written request of such person, a copy of any or all of the documents that are incorporated by reference herein. Written requests for such documents should be directed to the Company at its registered office set out in the "Directors, Secretary, Registered Office and Advisers" section of this document.

