GAN SHMUEL FOOD LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

U.S. DOLLARS IN THOUSANDS

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AUDITORS' REPORT

To the Shareholders of

GAN SHMUEL FOOD LIMITED

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Gan Shmuel Food Limited and subsidiaries (collectively, "the Company") as of December 31, 2017. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" as amended ("Auditing Standard 104"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls; (2) controls over the pricing and order management process (the sale process); (3) controls over payments for procurement (the procurement process); (4) controls over inventory measurement process; (5) controls over inventory pricing process; (6) controls over salary computation process (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard 104. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and, therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and, accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

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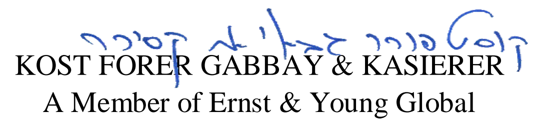
Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2017.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and our report dated March 27, 2018 expressed an unqualified opinion thereon.



Tel-Aviv, Israel
March 27, 2018

KOST FORER GABBAY & KASIERER
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AUDITORS' REPORT

To the Shareholders of

GAN SHMUEL FOOD LIMITED

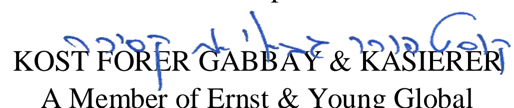
We have audited the accompanying consolidated statements of financial position of Gan Shmuel Food Limited ("the Company") as of December 31, 2017 and 2016, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiary, whose assets constitute approximately 8.72% of total consolidated assets as of December 31, 2016, and whose revenues constitute approximately 9.45%, and 8.7% of total consolidated revenues for the years ended December 31, 2016 and 2015, respectively. Furthermore, we did not audit the financial statements of certain companies that are presented at equity, the investment in which amounted to $ 5,396 and $ 5,037 thousand as of December 31, 2017 and 2016, respectively, and the Company's share of their losses amounted to $ 3,137 thousand, $ 1,217 thousand and $ 1,492 thousand for the years ended December 31, 2017, 2016 and 2015, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2017 and 2016 and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2017 and our report dated March 27, 2018 expressed an unqualified opinion on the effective existence of those components.



Tel-Aviv, Israel
March 27, 2018

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	11,801	13,916
Investments in financial assets held for trading	5	3,694	3,313
Trade receivables	6	37,820	47,501
Other accounts receivable	7	12,360	7,069
Inventories	8	67,693	67,448
		133,368	139,247
NON-CURRENT ASSETS:			
Deferred taxes	19d	677	262
Investment in companies accounted for at equity and other receivables	9	5,525	5,405
Financial derivatives and long-term loans to others	10	11,460	12,175
Property, plant and equipment	11	25,600	30,693
Intangible assets - including deferred charges	12	9,092	11,274
		52,354	59,809
		185,722	199,056

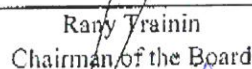
The accompanying notes are an integral part of the consolidated financial statements.

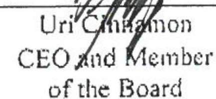
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

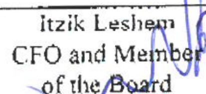
	Note	December 31, 2017	December 31, 2016
		U.S. dollars in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	13	10,645	19,862
Trade payables	14	20,398	23,846
Other accounts payable	15	2,444	4,561
Liability for put options over non-controlling interests		-	343
		33,487	48,612
NON-CURRENT LIABILITIES:			
Loans from banks and others	16	20,139	24,291
Employee benefit liabilities, net	18	791	994
Deferred taxes	19d	802	1,333
		21,732	26,618
EQUITY:	21		
Share capital		4,571	4,571
Share premium		43,930	43,930
Treasury shares		(20)	(20)
Retained earnings		82,139	76,575
Reserves		(117)	(1,383)
Total attributable to equity holders of the Company		130,503	123,673
Non-controlling interests		-	153
Total equity		130,503	123,826
		185,722	199,056

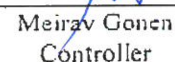
The accompanying notes are an integral part of the consolidated financial statements.

March 27, 2018
Date of approval of the financial statements


Rany Trainin
Chairman of the Board


Uri Cinnamon
CEO and Member of the Board


Itzik Leshem
CFO and Member of the Board


Meirav Gonen
Controller

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended December 31, 2017	2016	2015
		U.S. dollars in thousands (except per share data)		
Revenues from sales	23a	213,542	*) 215,667	*) 230,307
Cost of sales	23b	165,264	168,098	179,180
Gross profit		48,278	*) 47,569	*) 51,127
Selling and marketing expenses	23c	23,536	*) 23,544	*) 26,113
General and administrative expenses	23d	7,504	6,756	8,032
Other income (expenses), net	23e	(39)	86	427
Operating income		17,199	17,355	17,409
Finance income	23f	1,930	1,361	674
Finance expenses	23f	1,911	2,272	1,707
Company's share of losses of companies accounted for at equity, net		(3,137)	(1,218)	(1,492)
Income before taxes on income		14,081	15,226	14,884
Taxes on income	19e	927	2,663	2,496
Net income		13,154	12,563	12,388
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):	24			
Basic and diluted net earnings		0.87	0.84	0.82

*) See Note 2bb.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2017	**2016**	**2015**
	U.S. dollars in thousands		
Net income	13,154	12,563	12,388
Other comprehensive income (loss) (net of tax effect):			
Amounts that will be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operation	837	(223)	(425)
Amounts transferred to the statement of profit or loss for sale of foreign operation	594	-	-
Amounts that will not be reclassified subsequently to profit or loss:			
Remeasurement loss from defined benefit plans	(165)	(11)	(85)
Total other comprehensive income (loss)	1,266	(234)	(510)
Total comprehensive income	14,420	12,329	11,878

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve from remeasurement of defined benefit plans	Capital reserve from transaction with non-controlling interests	Treasury shares	Retained earnings	Reserve from transaction with controlling shareholder	Foreign currency translation reserve	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2015	4,571	43,930	8	-	(20)	63,535	221	(906)	111,339	-	111,339
Net income	-	-	-	-	-	12,388	-	-	12,388	-	12,388
Adjustments arising from translating financial statements of foreign operation	-	-	-	-	-	-	-	(425)	(425)	-	(425)
Actuarial loss from defined benefit plans	-	-	(85)	-	-	-	-	-	(85)	-	(85)
Total comprehensive income	-	-	(85)	-	-	12,388	-	(425)	11,878	-	11,878
Sale of subsidiary's shares to non-controlling interests	-	-	-	(52)	-	-	-	-	(52)	153	101
Dividend to shareholders	-	-	-	-	-	(4,773)	-	-	(4,773)	-	(4,773)
Balance at December 31, 2015	4,571	43,930	(77)	(52)	(20)	71,150	221	(1,331)	118,392	153	118,545
Net income	-	-	-	-	-	12,563	-	-	12,563	-	12,563
Adjustments arising from translating financial statements of foreign operation	-	-	-	-	-	-	-	(223)	(223)	-	(223)
Actuarial loss from defined benefit plans	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Total comprehensive income	-	-	(11)	-	-	12,563	-	(223)	12,329	-	12,329
Equity benefit from transaction with controlling shareholder	-	-	-	-	-		90	-	90	-	90
Dividend to shareholders	-	-	-	-	-	(7,138)	-	-	(7,138)	-	(7,138)
Balance at December 31, 2016	4,571	43,930	(88)	(52)	(20)	76,575	311	(1,554)	123,673	153	123,826
Net income	-	-	-	-	-	13,154	-		13,154	-	13,154
Adjustments arising from translating financial statements of foreign operation	-	-	-	-	-	-	-	837	837	-	837
Amounts transferred to the statement of profit or loss for sale of foreign operation	-	-	-	-	-	-	-	594	594	-	594
Actuarial loss from defined benefit plans	-	-	(165)	-	-	-	-	-	(165)	-	(165)
Total comprehensive income	-	-	(165)	-	-	13,154	-	1,431	14,420	-	14,420
Deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	(153)	(153)
Dividend to shareholders	-	-	-	-	-	(7,590)	-	-	(7,590)	-	(7,590)
Balance at December 31, 2017	4,571	43,930	(253)	(52)	(20)	82,139	311	(123)	130,503	-	130,503

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Cash flow from operating activities:			
Net income	13,154	12,563	12,388
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Group's share of losses of companies accounted for at equity and associate	3,192	1,214	1,436
Gain from sale of investment in investee	(34)	-	-
Depreciation and amortization	4,214	5,845	5,788
Revaluation of proposed dividend	253	139	49
Taxes on income	927	2,663	2,496
Interest expenses, net	1,680	1,349	1,273
Impairment (revaluation) of financial assets held for trading	(110)	(87)	77
Loss (gain) from forward transactions	(606)	(138)	69
Decrease (increase) in employee benefit liabilities, net	(41)	78	20
Loss from sale of property, plant and equipment	73	10	84
Erosion of loans to investees and other companies	(404)	(317)	(568)
Revaluation (erosion) of long-term loans	177	50	(2)
	9,321	10,806	10,722
Changes in asset and liability items:			
Decrease (increase) in trade receivables	6,860	(222)	6,864
Decrease (increase) in other accounts receivable	(1,715)	2,792	(1,738)
Decrease (increase) in inventories	(7,798)	1,645	(991)
Increase (decrease) in trade payables	(1,875)	750	(1,125)
Increase (decrease) in other accounts payable	187	187	(389)
Monetary movement in related parties' accounts, net	260	(279)	190
	(4,081)	4,873	2,811
Cash paid and received during the year for:			
Interest paid	(1,123)	(1,459)	(1,443)
Interest received	173	184	220
Taxes paid	(4,517)	(3,953)	(1,765)
Taxes received	13	1,210	3,009
	(5,454)	(4,018)	21
Net cash provided by operating activities	12,940	24,224	25,942

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Cash flows from investing activities:			
Cash outflow as a result of sale of investment in previously consolidated company (a)	(1,755)	-	-
Proceeds from sale of investment in previously consolidated company	1,699	-	-
Purchase of property, plant and equipment	(3,025)	(6,092)	(4,249)
Proceeds from sale of (investment in) financial assets held for trading	(271)	5	(80)
Investment in young orchards	(48)	(38)	(58)
Proceeds from sale of property, plant and equipment	146	159	75
Purchase of financial derivatives and grant of loan to associate and others	(936)	(10,701)	(4,699)
Repayment of loans granted to associates and others	978	800	200
Reduction of capital in investee	-	-	113
Dividend from associate	123	131	102
Net cash used in investing activities	(3,089)	(15,736)	(8,596)
Cash flows from financing activities:			
Short-term credit from banks, net	(1,949)	(4,966)	(3,559)
Receipt of long-term loans	5,751	10,000	11,000
Repayment of long-term loans	(7,175)	(8,605)	(8,295)
Proceeds from sale of investment in subsidiary	-	-	220
Dividend paid	(7,843)	(7,277)	(4,822)
Receipt of long-term liability	-	54	53
Net cash used in financing activities	(11,216)	(10,794)	(5,403)
Exchange differences on balances of cash and cash equivalents	(750)	(90)	(183)
Increase (decrease) in cash and cash equivalents	(2,115)	(2,396)	11,760
Cash and cash equivalents at beginning of year	13,916	16,312	4,552
Cash and cash equivalents at end of year	11,801	13,916	16,312

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
(a) Cash outflow as a result of sale of investment in previously consolidated company:			
Working capital (excluding cash)	1,080	-	-
Property, plant and equipment	4,345	-	-
Non-current assets	256	-	-
Intangible assets	1,520	-	-
Goodwill	91	-	-
Deferred taxes	(521)	-	-
Non-current liabilities	(4,104)	-	-
Non-controlling interests	(153)	-	-
Liability for put options over non-controlling interests	(343)	-	-
Gain from sale of subsidiary	25	-	-
Receivables for sale of investments in subsidiary	(1,725)	-	-
Investment in company accounted for at equity	(2,226)	-	-
Total balance of cash outflow	(1,755)	-	-
(b) Significant non-cash transactions:			
Receivables from sale of investment in subsidiary	-	-	224
Purchase of property, plant and equipment on credit	216	126	84
Receivables from sale of investment in associate	1,800	-	-

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

NOTE 1:- GENERAL

a. The Company manufactures juices and concentrates from citrus fruits, tropical fruits and tomatoes. The Company is a public company whose shares are traded on the Tel-Aviv Stock Exchange Ltd. ("TASE").

b. Since January 2007, Kibbutz Gan Shmuel ("the Kibbutz") holds about 41.4% of the Company and Kibbutz Gat and Kibbutz Beit-Nir each hold about 12.6% of the Company.

c. Definitions:

In these financial statements:

The Company	-	Gan Shmuel Food Limited.
The Group	-	Gan Shmuel Food Limited and its investees listed in the accompanying appendix.
Subsidiaries	-	companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Jointly controlled entities	-	companies owned by various entities that have a contractual arrangement for joint control and are accounted for at equity.
Investees	-	subsidiaries or an associate.
Interested parties and controlling shareholders	-	as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	as defined in IAS 24.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

Measurement basis:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company's financial statements have been prepared on a cost basis, except for: financial assets and liabilities (including derivatives) which are presented at fair value through profit or loss.

The Company has elected to present profit or loss items using the function of expense method.

The operating cycle of the Company is 12 months.

b. Significant judgments, estimates and assumptions used in the preparation of the financial statements:

In the process of applying the significant accounting policies in the financial statements, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

1. Judgments:

- Classification of leases:

  In order to determine whether to classify a lease as a finance lease or an operating lease, the Company evaluates whether the lease transfers substantially all the risks and benefits incidental to ownership of the leased asset. In this respect, the Company evaluates such criteria as the existence of a bargain purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

2. Estimates and assumptions:

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

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

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit to which the goodwill is allocated. Management is also required to choose a suitable discount rate for those cash flows.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing, level of future taxable profits and the tax planning strategy.

- Other post-employment benefits:

  The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, the discount rate, future salary increases and employee turnover rate. The carrying amount of the liability may be significantly affected by changes in these estimates

- Scientist grants:

  Government grants received from the Office of the Chief Scientist at the Ministry of Industry, Trade and Labor ("the Chief Scientist") are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and the estimated discount rate used to measure the amount of the liability. As for the accounting treatment of grants received from the Chief Scientist, see t below.

- Legal claims:

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

c. Consolidated financial statements:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

d. Investments in associates:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate is accounted for using the equity method.

e. Investments accounted for at equity:

The Group's investments in joint ventures are accounted for at equity.

Under the equity method, the investment in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the joint venture. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The financial statements of the Company and of the associate are prepared as of the same dates and periods. The accounting policies in the financial statements of the associate have been applied consistently and uniformly with those applied in the financial statements of the Group.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as investment held for sale.

The Company continues to apply the equity method even in cases where the investment in the associate becomes an investment in a joint venture and vice versa. The Company applies the provisions of IFRS 5 to the investment or a portion of the investment in the associate or the joint venture that is classified as held-for-sale. Any retained interest in this investment which is not classified as held-for-sale continues to be accounted for using the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

f. Business combinations and goodwill:

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

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures:

In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

h. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the U.S. dollar.

The financial statements are presented in U.S. dollars since the Company believes that financial statements in U.S. dollars provide more relevant information to the investors and users of the financial statements who are located in Israel.

The Group determines the functional currency of each Group entity, including companies accounted for at equity, and this currency is used to separately measure each Group entity's financial position and operating results.

The data in the financial statements of an investee whose functional currency differs from the Company's functional currency ("foreign operation") are translated into the Company's functional currency so that they can be included in the consolidated financial statements as follows:

a) Assets and liabilities are translated at the closing rate at each reporting date. Goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities on the date of acquisition of the foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate at each reporting date. Items of the statement of profit or loss are translated at average exchange rates for all the relevant periods. All resulting translation differences are recognized as a separate component of other comprehensive income (loss) in equity under "adjustments arising from translating financial statements".

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c) Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange differences, other than those recorded in equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at each reporting date according to the terms of the agreement. Linkage differences arising from the adjustment, as above, are recognized in profit or loss.

4. Below is data on the exchange rate of the U.S. dollar and the Israeli CPI:

As of	Representative exchange rate of U.S. dollar In NIS	Israeli CPI for December In points *)
December 31, 2017	3.467	118.81
December 31, 2016	3.845	118.34
December 31, 2015	3.902	118.58
Change in the year ended	**%**	**%**
December 31, 2017	(9.8)	0.4
December 31, 2016	(1.4)	(0.2)
December 31, 2015	0.3	(1.0)

*) Israeli CPI according to average base of 2006 = 100.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Cash equivalents:

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

j. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific trade receivables whose collection, in the opinion of the Company's management, is doubtful. In respect of trade receivables for which a specific allowance has not been recorded, the Company did not recognize an allowance in respect of groups of customers that are collectively assessed for impairment since it did not identify any groups of customers which bear similar credit risks. Impaired receivables are derecognized when they are assessed as uncollectible.

k. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials, packing materials, auxiliary materials and purchased products - using the "first-in, first-out" method.

Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

l. Financial instruments:

1. Financial assets:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

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

This category includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Derivatives, including embedded derivatives separated from the host contract, are classified as held for trading unless they are designated as effective hedging instruments.

b) Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at cost plus direct transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at cost less direct transaction costs using the effective interest method. The amortization of the effective interest is recognized in profit or loss in the item financing.

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c) Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of the agreement.

Financial guarantee contracts are initially recognized at fair value, taking into account transaction costs that are directly attributable to the issue of the guarantee. After initial recognition, the liability is measured at the higher of the amount initially recognized (less, if appropriate, amortization over the period of the guarantee) and the estimate of any obligation to be recorded (if any) at the reporting date as determined in accordance with IAS 37.

3. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. Put option granted to non-controlling interests:

When the Group grants non-controlling interests a put option, the non-controlling interests are classified as a financial liability and are not accorded their share in the subsidiary's earnings. At each reporting date, the financial liability is measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put option based on the fair value of the consideration. Changes in the amount of the liability are recorded in profit or loss.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

5. Derecognition of financial instruments:

a) Financial assets:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

c) Impairment of financial assets:

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

Financial assets carried at amortized cost:

Objective evidence of impairment exists when one or more events that have occurred after the initial recognition of the asset have a negative impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (see also allowance for doubtful accounts above). In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Derivative financial instruments designated as hedges:

Sometimes the Group enters into contracts for derivative financial instruments to hedge risks associated with fluctuations in foreign exchange rates, prices of commodities and interest rates. Such derivative financial instruments are initially recognized at fair value. After initial recognition, the financial derivatives are measured at fair value. Derivatives are carried in the statement of financial position as assets when the fair value is positive and as liabilities when the fair value is negative.

n. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Leases:

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

The Group as lessee:

1. Finance leases:

Finance leases transfer to the Group all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The liability for lease payments is presented at its present value and the lease payments are apportioned between finance charges and a reduction of the liability using the effective interest method.

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

2. Operating leases:

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

p. Property, plant and equipment:

Items of property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

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

An asset under construction includes the cost of materials, direct labor and borrowing costs as well as 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

	%	
Land and buildings (excluding the land component)	3	
Machinery and equipment	10 - 15	(mainly 10%)
Computers and peripheral equipment	33	
Motor vehicles	15	
Office furniture and equipment	6	
Installation and leasehold improvements	see below	(mainly 10%)

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount in the financial statements) is included in profit or loss when the asset is derecognized.

q. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. After initial recognition, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The useful life of intangible assets is as follows:

	Years
Investment in right to purchase fruit	20
Brand name	15
Customer relations	10

r. Deferred charges - investments in young orchards:

Investments in replantation and other plantations in orchards of citrus growers and in young orchards are fully assigned to the Group's possession under a multi-annual agreement between the parties. As consideration of the proceeds from the fruit, the Group covers the operating expenses of said orchards and, if the agreement stipulates so, an additional payment is made to the customer. Investments in orchards of citrus growers which are accounted for as a non-monetary item are amortized over the contractual term simultaneously with the economic benefits expected to derive therefrom.

The amortization period and the amortization method of these investments are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in the amortization period or the amortization method and reported as a change in accounting estimate. Amortization expenses are recognized in the statement of profit or loss.

s. Impairment of non-financial assets:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

1. Goodwill in respect of subsidiaries:

   For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at the acquisition date, to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

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

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

   Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

2. Investment in associate or joint venture:

   After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

3. Deferred charges - investment in young orchards:

   Impairment is tested if factors indicate that there is impairment.

   Impairment of investment in young orchards is determined by assessing the recoverable amount the orchards. If the recoverable amount of the orchards is lower than their carrying amount, an impairment loss is recognized.

t. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

Government grants received from the Office of the Chief Scientist in Israel are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing sales.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Royalty payments are treated as a settlement of the liability.

u. Taxes on income:

Taxes on income in profit or loss comprise current taxes and deferred taxes. The tax results in respect of current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized in other comprehensive income or in equity. In such cases, the tax effect is also recognized in the relevant item in other comprehensive income or in equity.

1. Current taxes:

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

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes. Deferred taxes attributable to items which are recognized in equity, are also recognized in the relevant item in equity.

Deferred tax balances are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date. The amount of deferred taxes in the statement of profit or loss represent the changes in the carrying amount of these balances during the reporting period, excluding changes attributable to items recognized in other comprehensive income or in equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred tax assets are reviewed at each reporting date based on the probability of their utilization. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that its utilization is probable.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Deferred tax assets and deferred tax liabilities are presented as non-current assets and non-current liabilities, respectively. Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

v. Employee benefit liabilities:

The Group has several types of employee benefits:

1. Short-term employee benefits:

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

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

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

Using discount rate determined by reference to high quality corporate bonds that are linked to the Israeli CPI had no material impact on the financial statements.

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

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

3. Other long-term employee benefits:

The Group's employees are entitled to benefits in respect of paid absences. These benefits are accounted for as other long-term benefits since the Company estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and more than twelve months after the end of the annual reporting period in which the employees render the related service.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Revenue recognition - revenue recognition policy in effect from January 1, 2017:

Since January 1, 2017, the Company applies IFRS 15 regarding revenue from contracts with customers ("IFRS 15"). As for the impact of the initial application of IFRS 15 on the financial statements, see bb below.

According to IFRS 15, revenues from contracts with customers are recognized in profit or loss when the control over the asset or service is transferred to the customer. Revenue is measured and recognized at fair value of the consideration expected to be received in accordance with the terms of the contract, excluding amounts collected on behalf of third parties (such as taxes). Revenue is recognized in profit or loss to the extent that the economic benefits are expected to flow to the Company and the income and costs, if relevant, can be measured reliably.

In determining the amount of revenue from contracts with customers, the Company examines whether it acts as a principal or as an agent. The Company is a principal when it controls the promised goods or service before its transfer to the customer. In such cases, the Company recognizes revenues at the gross amount of the consideration. When the Company acts as an agent, the Company recognizes revenues at a net amount, net of the amounts due to the principal.

The Company is required to determine the transaction price separately for each contract with a customer. In exercising this judgment, the Company assesses the effect of variable consideration in the contract, including discounts, penalties, variations, claims, the existence of a significant financing component in the contract and any non-cash consideration. In determining the effect of the variable consideration, the Company generally uses the "most likely amount" method described in IFRS 15. Pursuant to this method, the amount of the consideration is determined based on the single most likely amount in the range of possible consideration amounts in the contract. The Company includes an amount of variable consideration only when it is highly probable that a significant reversal of the cumulative revenue recognized will not occur when the uncertainty involving the variable consideration is subsequently resolved.

When obtaining certain contracts with customers, the Company incurs incremental costs (such as sales commissions). Costs incurred in order to obtain a specific contract with a customer, which costs would not have been incurred if the contract had not been obtained and which the Company expects to recover, are recognized as an asset and amortized periodically in a manner which is consistent with the performance of the services pursuant to the specific contract.

When the Company satisfies a performance obligation by transferring the goods or services to the customer, it recognizes an asset in respect of the contract that reflects the consideration it is entitled to in exchange for those goods or services transferred. When the consideration received from the customer exceeds the amount of recognized revenue, the Company recognizes a contract liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following are specific criteria for revenue recognition in respect of the various types of products and services provided by the Company.

Revenue from sale of goods:

Revenue from sale of goods is recognized in profit or loss at a point in time when the control of the goods is transferred to the customer. Normally the control is transferred when the goods are delivered to the customer.

Revenue from rendering of services:

In accordance with contracts with customers in this segment, the customer simultaneously receives and consumes the benefits as the Company performs and, therefore, revenue is recognized over time in the reporting periods in which the services are rendered. The Company collects payment from its customers in accordance with the terms of payment agreed upon in specific agreements, where the payments may be prior to the service period or after the service period and, accordingly, the Company recognizes the asset or liability in respect of the contract with the customer.

Payments to customers:

Some of the Company's contracts with its customers include payments to customers for services defined in the contract. According to IFRS 15, these payments will be presented as a reduction of revenues, unless the payment is for a distinct goods or service that the customer transfers to the entity.

x. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

y. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The provision included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

z. Advertising expenses:

Expenditures incurred on advertising, marketing or promotional activities, such as production of catalogues and promotional pamphlets, are recognized as an expense when the Group has the right of access to the advertising goods or when the Group receives those services.

aa. Treasury shares:

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

bb. Change in accounting policies:

IFRS 15, "Revenue from Contracts with Customers":

The Company adopted early IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") effective January 1, 2017.

IFRS 15 was issued by the IASB in May 2014 and it replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

IFRS 15 introduces a five-step model that applies to revenue earned from contracts with customers:

Step 1: *Identify the contract with a customer*, including reference to contract combination and accounting for contract modifications.

Step 2: *Identify the separate performance obligations in the contract*

Step 3: *Determine the transaction price*, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Step 4: *Allocate the transaction price to the separate performance obligations* on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: *Recognize revenue when the entity satisfies a performance obligation* over time or at a point in time.

Following the issuance of IFRS 15, the Company examined the early adoption of IFRS 15 including an in-depth examination of the anticipated implications of the implementation of IFRS 15. Considering the tests performed, the Company decided to adopt IFRS 15 early by way of full retroactive adoption, including restatement of comparative figures, commencing January 1, 2017, since the Company believes that IFRS 15 better reflects the Company's business operations.

The main effect of the initial application of IFRS 15 relates to payments to customers that according to the previous standards were presented as part of selling and marketing expenses and, under the existing standard, are presented as a reduction of revenues.

The implementation of IFRS 15 had no effect on the Company's assets, liabilities and equity.

Below is the effect on the Company's consolidated statement of profit or loss and other comprehensive income:

	As previously reported	The change (1)	As presented in these financial statements
	U.S. dollars in thousands		
Year ended December 31, 2017:			
Revenues from sales	218,657	*) (5,115)	213,542
Gross profit	53,393	(5,115)	48,278
Selling and marketing expenses	28,651	*) (5,115)	23,536
Operating income	17,199	-	17,199
Net income	13,154	-	13,154
Total comprehensive income	14,420	-	14,420
Basic and diluted net earnings per share	0.87	-	0.87

*) Of which $ 851 thousand for transactions with related party until March 16, 2017.

(1) The effect of the change in respect of initial application of IFRS 15, as detailed above, see w.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	As previously reported	The change (1)	As presented in these financial statements
	U.S. dollars in thousands		
Year ended December 31, 2016:			
Revenues from sales	219,407	*) (3,740)	215,667
Gross profit	51,309	(3,740)	47,569
Selling and marketing expenses	27,284	*) (3,740)	23,544
Operating income	17,355	-	17,355
Net income	12,563	-	12,563
Total comprehensive income	12,329	-	12,329
Basic and diluted net earnings per share	0.84	-	0.84

*) Of which $ 3,607 thousand for transactions with related party.

	As previously reported	The change (1)	As presented in these financial statements
	U.S. dollars in thousands		
Year ended December 31, 2015:			
Revenues from sales	233,729	*) (3,422)	230,307
Gross profit	54,549	(3,422)	51,127
Selling and marketing expenses	29,535	*) (3,422)	26,113
Operating income	17,409	-	17,409
Net income	12,388	-	12,388
Total comprehensive income	11,878	-	11,878
Basic and diluted net earnings per share	0.82	-	0.82

*) Of which $ 3,021 thousand for transactions with related party.

(1) The effect of the change in respect of initial application of IFRS 15, as detailed above, see w.

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

a. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, " Financial Instruments: Recognition and Measurement". IFRS 9 addresses all three aspects of financial instruments: classification and measurement, impairment and hedge accounting.

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

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

IFRS 9 introduces a three-stage model for measuring impairment of financial debt instruments that are not measured at fair value through profit or loss based on the expected credit loss method. Each stage determines the basis of measurement of expected credit losses based on the changes in the debt instrument's credit risk. The model also grants a relief for financial assets with short credit terms, such as trade receivables.

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

As for liabilities for which the fair value option has been elected, changes in the fair value which are attributable to the change in the entity's credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 also prescribes new hedge accounting requirements but allows entities to continue adopting the provisions of IAS 39 regarding hedge accounting. IFRS 9 expands the disclosure requirements of an entity's risk management activities.

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

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

Excluding with respect to hedge accounting, the provisions of IFRS 9 should be adopted retrospectively, with no mandatory restatement of comparative figures. As for hedge accounting, the provisions of IFRS 9 should be adopted prospectively, except for a few exceptions.

The Company plans to adopt IFRS 9 on January 1, 2018 without restatement of comparative figures and carry the cumulative effect of the adoption to retained earnings (or other equity component, as applicable).

As of the reporting date, the effect of the adoption of IFRS 9 on the Company's financial statements is expected to be as follows:

Classification and measurement:

The Company has a convertible loan which consists of a debt component presented in the balance of assets in a total of $ 1,529 thousand and which is measured at amortized cost and a conversion component and option presented in the balance of assets in a total of $ 7,622 thousand and which is measured at fair value through profit or loss. According to the provisions of IFRS 9, the convertible loan should be measured as a whole as a single asset at fair value through profit or loss. The effect of the change in the measurement of the loan as a single component at fair value through profit or loss as of January 1, 2018 is an increase of $ 789 thousand in the balance of assets and an increase of $ 789 thousand in the Company's retained earnings.

After having evaluated the implications of the adoption of IFRS 9, the Company estimates that its adoption is not expected to have another material impact on the Company's financial statements.

b. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture:

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

According to the amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated so that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

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

The amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted.

c. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"). According to IFRS 16, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The key effects of IFRS 16 are as follows:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases, see below) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use (such as a percentage of revenues) are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

- IFRS 16 includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. At this stage, the Company does not plan to early adopt IFRS 16.

IFRS 16 permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, the effect of the adoption of IFRS 16 at the beginning of the earliest period presented will be carried to equity. Also, the Company will restate the comparative figures in its financial statements.

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

2. Modified retrospective approach - this approach does not require restatement of comparative figures. The balance of the liability as of the date of first-time adoption of IFRS 16 will be calculated using the existing discount rate on the date of first-time adoption. As for the outstanding right-of-use asset, the Company may apply one of the two following alternatives to account for each lease separately:

   - Recognizing an asset in the amount of the recognized liability, with certain adjustments.

   - Recognizing an asset as if the asset had always been measured according to the provisions of IFRS 16.

Any difference arising on the date of first-time adoption of IFRS 16 as a result of the modified retrospective approach will be carried to equity.

The Company expects to use the modified retrospective approach for the first-time adoption of IFRS 16 by measuring the right-of-use asset at an amount based on the lease liability, as presented on the transition date.

The potential implications of the adoption of IFRS 16 are as follows:

The Company is evaluating the possible effects of IFRS 16. However, the Company is unable to quantify the impact on the financial statements.

d. Annual Improvements to IFRS Cycle for 2015-2017:

In December 2017, the IASB issued the following amendment in the context of the Annual Improvements to IFRS 2015-2017 Cycle:

IFRS	Subject of amendment
IAS 12	The amendment clarifies that all income tax consequences of payment of dividends should be recognized in profit or loss, other comprehensive income or equity, based on the classification of the transaction or event which created the distributable profits.

The amendment will be applied for annual periods beginning on January 1, 2019. The amendment may be early adopted by providing the appropriate disclosures.

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

e. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement to reflect uncertainty involving income taxes in the financial statements and accounting for changes in facts and circumstances underlying the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches:

1. Full retrospective adoption, without restating comparative figures, by recording the cumulative effect through the date of initial adoption in the opening balance of retained earnings.

2. Full retrospective adoption including restatement of comparative figures.

The Company does not expect the Interpretation to have any material impact on the financial statements.

f. IAS 28, "Investments in Associates and Joint Ventures":

In October 2017, the IASB published an amendment to IAS 28, "Investments in Associates and Joint Ventures" ("the Amendment"). The Amendment clarifies that long-term interests in associates and joint ventures (such as loans receivable or investments in Preferred shares) which form part of the net investment in an associate or joint venture are initially be accounted for according to the provisions of IFRS 9 (both regarding measurement and impairment) and subsequently those interests are subject to the provisions of IAS 28.

The Amendment should be applied retrospectively for annual periods beginning on January 1, 2019. Early adoption is permitted.

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

NOTE 4:- CASH AND CASH EQUIVALENTS

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Cash and deposits for immediate withdrawal	11,801	13,916

The annual interest rate is 0.4%.

NOTE 5:- INVESTMENTS IN FINANCIAL ASSETS HELD FOR TRADING

The investment in securities comprises shares, debentures and investment in participation units in mutual funds, mostly in dollar.

NOTE 6:- TRADE RECEIVABLES

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Open accounts (1)	37,409	46,972
Checks receivable	411	529
	37,820	47,501
(1) Allowance for doubtful accounts	925	856

Trade receivables do not bear interest. The average customer credit term is 77 days (2016 – 80 days).

Impaired customer debts are accounted for through recording an allowance for doubtful accounts.

NOTE 6:- TRADE RECEIVABLES (Cont.)

The movement in the allowance for doubtful accounts is as follows:

	U.S. dollars in thousands
Balance at January 1, 2016	1,445
Charge for the year	8
Reversal of collected doubtful accounts	(600)
Exchange differences	5
Adjustments arising from translating foreign operation	(2)
Balance at December 31, 2016	856
Charge for the year	56
Deconsolidation	(39)
Exchange differences	52
Balance at December 31, 2017	925

An analysis of past due but not impaired trade receivables (allowance for doubtful accounts), trade receivables, net, with reference to reporting date:

		Past due trade receivables with aging of					
	Neither past due (nor aging)	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	> 120 days	Total
	U.S. dollars in thousands						
December 31, 2017	31,551	2,475	1,010	920	811	1,053	37,820
December 31, 2016	38,516	4,789	1,826	599	808	963	47,501

NOTE 7:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Income tax	2,127	717
Government ministries	2,666	2,182
Accrued income	2,622	378
Others (1)	2,459	1,786
Prepaid expenses (2)	1,264	1,055
Current maturity of loan to others	1,152	850
Advances to suppliers	70	101
	12,360	7,069

(1) Includes a deposit of $ 2,454 thousand that is used to secure purchase of raw materials (2016 – $ 1,311 thousand).

(2) Includes prepaid expenses in respect of 6 bearing orchards of approximately $ 893 thousand and $ 844 thousand as of December 31, 2017 and 2016, respectively.

NOTE 8:- INVENTORIES

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Raw materials	28,640	19,477
Packing materials and auxiliary materials	3,123	3,121
Work in progress	13,424	12,102
Finished goods and purchased products	17,215	28,576
	62,402	63,276
Payments on account of raw materials	5,291	4,172
	67,693	67,448

NOTE 9:- INVESTMENT IN COMPANIES ACCOUNTED FOR AT EQUITY AND OTHER RECEIVABLES

a. Additional information on associates:

Composition:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Details of investments:		
Share of equity	(5,694)	(5,133)
Capital notes (1)	11,219	10,282
Total	5,525	5,149
Other receivables	-	256
	5,525	5,405

(1) Non-interest bearing and unlinked capital notes given to Gan Pelach partnership for a period not less than five years. Gan Pelach Limited Partnership was established in Israel and is 50.01% held by the Company. The partnership is engaged in the cultivation of orchards and in selling to the Company the fruit for industry and to the other partner in the partnership the fruit for marketing. The partners in the partnership agreed to continue to provide the funding for its operating activities.

b. Condensed financial information of Gan Pelach:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Statement of financial position of associate at reporting date:		
Current assets	4,061	3,183
Non-current assets	21,086	18,963
Current liabilities	15,531	12,999
Non-current liabilities	74	74
Total equity	9,542	9,073
Holding rate in the associate	50.01%	50.01%
Share of equity	4,772	4,537
Remaining investment in associate	4,772	4,537

NOTE 9:- INVESTMENT IN COMPANIES ACCOUNTED FOR AT EQUITY AND OTHER RECEIVABLES (Cont.)

	Year ended December 31,		
	2017	**2016**	**2015**
	U.S. dollars in thousands		
Operating results of associate in the reporting year:			
Revenues	8,820	8,279	7,716
Gross loss	(1,823)	(1,331)	(1,404)
Operating loss	(2,046)	(1,264)	(1,795)
Loss	(2,372)	(1,592)	(2,123)
Comprehensive loss	(2,371)	(1,592)	(2,123)
Company's share of loss of associate	(1,186)	(796)	(1,062)

c. Subsidiary:

On July 7, 2015, a transaction between the Company and a third party for the sale of 10% of the Company's stake in I.F.B. International Food Business S.R.L. ("IFB") was closed. The third party was given the option to buy from the Company additional shares representing 41% of IFB capital for an additional consideration that will be computed at company value of €4 million for IFB. If the option is fully exercised, the third party will hold 51% of IFB share capital ("the option"). In January 2017, the third party fully exercised the option to buy 41% of IFB capital in consideration of €1,640 thousand. As a result of the exercise of the option, the Company discontinued to consolidate IFB in its financial statements and, from that date, the Company holds only 49% of the share capital of IFB and, accordingly, the investment therein is accounted for at equity. On December 20, 2017, the Company sold its remaining interest (49%) in IFB to a third party in consideration of approximately $ 1,800 thousand.

NOTE 10:- FINANCIAL DERIVATIVES AND LONG-TERM LOANS TO OTHERS

a. Composition:

	December 31, 2017	December 31, 2016
	U.S. dollars in thousands	
Convertible loan and financial derivatives (see c below)	9,151	9,775
Long-term loans (1)	3,461	3,250
	12,612	13,025
Less – current maturity	(1,152)	(850)
	11,460	12,175

(1) Includes loans in dollars with variable interest mainly at the Libor rate + 1.7% and interest free loan in Euro of $ 1,048 thousand which, until September 30, 2017, was presented in investment in companies accounted for at equity.

b. Maturity dates after the reporting date, December 31, 2017 (except financial derivatives):

	First year	Second year	Third year	Fourth year	Fifth year	After the fifth year	Total
	U.S. dollars in thousands						
Long-term loans to others	1,152	1,152	952	205	-	1,531	4,992

c. On May 4, 2016, an agreement was signed between the Company and Transalgae Israel Ltd., a company engaged in genetic engineering in algae, which is unrelated to the Company ("the borrower"), according to which the Company provided the borrower with a loan in the total of $ 10 million ("the first loan") and the Company may, at its discretion, convert the loan into shares of the borrower, which will constitute 16% of the issued and outstanding share capital of the borrower on a fully-diluted basis, during a specified period commencing three years after the signing of the agreement ("the conversion period" and "the loan agreement", respectively). If the Company does not exercise its right to convert the first loan into the shares of the borrower, the first loan will bear retroactive interest from the date of its grant to the borrower at the rate of 3%.

In addition, the Company was given an option to provide an additional loan to the borrower during a period of three years from the date of signing the agreement, in the total of up to $ 2.5 million ("the option" and "the additional loan", respectively). In the conversion period, the Company is entitled to exercise also the loan given under the option so that after the exercise of the additional loan the Company will hold about 20% of the issued and outstanding share capital of the borrower (assuming full conversion of the other loan into the shares of the borrower). If the Company does not convert the additional loan, the additional loan will bear the same interest as the first loan.

NOTE 10:- FINANCIAL DERIVATIVES AND LONG-TERM LOANS TO OTHERS (Cont.)

If the Company does not convert the first loan and the additional loan ("the loans") until the end of the conversion period, the borrower will repay the loans in 40 quarterly payments, commencing from the end of 10 years from the date of signing the agreement, subject to the threshold conditions in the agreement. The Company may demand repayment of the loans immediately upon the occurrence of one of the events specified in the loan agreement.

Pursuant to the loan agreement, no actions will be taken on certain matters set out in the agreement without the Company's consent, which will expire if the Company does not convert the loans at the end of the conversion period. In addition, the Company has been granted additional rights, some of which are immediate and some will take effect if the loans are converted into the shares of the borrower.

On the date of grant of the loan, the Company, through an independent external appraiser, allocated the purchase price to its components: a debt component of $ 1,130 thousand, a conversion component of $ 7,100 thousand and an option component to grant additional loan of $ 1,770 thousand. Subsequent measurement of the debt component is in accordance with the effective interest method using interest at the rate of 20% per annum, as derived from said valuation. The conversion component and the option component are measured at fair value through profit or loss.

As of December 31, 2017, the Company, through an independent external appraiser, adjusted the value of the components and the components were estimated as follows: the conversion component at $ 6,390 thousand and the option component to grant a loan at $ 1,230 thousand. The debt component is measured using the effective interest rate determined at the date of the transaction; 20% and adjusted to $ 1,531 thousand. Accordingly, the Company recorded net finance expenses of $ 624 thousand in respect of this loan, comprising finance expenses in respect of component adjustment of $ 880 thousand offset by finance income in respect of the loan of $ 256 thousand.

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

2017:

	Land	Machinery and equipment	Office furniture and equipment	Motor vehicles	Installations and leasehold improvements	Payments on account of property, plant and equipment	Total
	U.S. dollars in thousands						
Cost:							
Balance at January 1, 2017	15,041	77,573	4,881	1,641	4,491	167	103,794
Additions during the year:							
Purchases less participations	(33)	1,938	140	414	111	441	3,011
Deconsolidation	(5,093)	(4,186)	-	-	-	(147)	(9,426)
Disposals during the year	-	(176)	-	(482)	-	-	(658)
Balance at December 31, 2017	9,915	75,149	5,021	1,573	4,602	461	96,721
Accumulated depreciation:							
Balance at January 1, 2017	6,834	57,434	4,298	685	3,850	-	73,101
Additions during the year	274	2,611	234	239	182	-	3,540
Deconsolidation	(1,460)	(3,621)	-	-	-	-	(5,081)
Disposals during the year	-	(123)	-	(316)	-	-	(439)
Balance at December 31, 2017	5,648	56,301	4,532	608	4,032	-	71,121
Depreciated cost at December 31, 2017	4,267	18,848	489	965	570	461	25,600

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2016:

	Land	Machinery and equipment	Office furniture and equipment	Motor vehicles	Installations and leasehold improvements	Payments on account of property, plant and equipment	Total
	U.S. dollars in thousands						
Cost:							
Balance at January 1, 2016	15,239	72,790	4,614	1,598	4,607	227	99,075
Additions during the year:							
Purchases less participations	(20)	5,260	267	355	(116)	(60)	5,686
Adjustments arising from translating financial statements of foreign operation	(178)	(177)	-	(1)	-	-	(356)
Disposals during the year	-	(300)		(311)	-	-	(611)
Balance at December 31, 2016	15,041	77,573	4,881	1,641	4,491	167	103,794
Accumulated depreciation:							
Balance at January 1, 2016	6,453	55,025	4,043	639	3,660	-	69,820
Additions during the year	296	2,941	255	255	192	-	3,939
Adjustments arising from translating financial statements of foreign operation	85	(298)	-	(1)	(2)	-	(216)
Disposals during the year	-	(234)	-	(208)	-	-	(442)
Balance at December 31, 2017	6,834	57,434	4,298	685	3,850	-	73,101
Depreciated cost at December 31, 2016	8,207	20,139	583	956	641	167	30,693

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

b. Land:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Freehold	97	199
Finance lease (1)	-	974

(1) Capitalized lease.

c. Capitalized leasehold rights in respect of land from the Israel Lands Administration:

Capitalized leasehold rights in respect of land from the Israel Lands Administration for an area of some 28 thousand sq. m. near Kibbutz Gat where Ganir's plant is located. The leasehold period for most of the land ends in 2028 and for some of the land in 2037.

On October 19, 2009, a development agreement was signed between Ganir and the Israel Lands Administration for land in an area of 6.8 thousand sq. m. The lease period is for 49 years.

The amount attributed to the capitalized rights is presented in the statement of financial position under property, plant and equipment.

d. Additional information:

The Group has fully depreciated assets that are still operative. The original cost of said assets as of December 31, 2017 totaled $ 52,979 thousand (December 31, 2016 - $ 48,046 thousand).

NOTE 12:- GOODWILL AND INTANGIBLE ASSETS

a. Composition and movement:

	Investment in the right to purchase fruit and other rights	Brand name	Customer relations	Deferred charges - investment in young orchards	Goodwill	Non-competition	Order backlog	Total
	U.S. dollars in thousands							
Cost:								
Balance at January 1, 2016	7,670	2,200	11,889	1,954	4,923	966	395	29,997
Adjustments arising from translating financial statements of foreign operation	-	-	(38)	-	(3)	(6)	-	(47)
Balance at December 31, 2016	7,670	2,200	11,851	1,954	4,920	960	395	29,950
Investment in orchards	-	-	-	(1)	-	-	-	(1)
Deconsolidation	-	-	(1,867)	-	(91)	(960)	-	(2,918)
Balance at December 31, 2017	7,670	2,200	9,984	1,953	4,829	-	395	27,031
Accumulated amortization:								
Balance at January 1, 2016	4,069	1,474	9,657	814	-	465	395	16,874
Amortization recognized during the year	314	175	982	144	-	187	-	1,802
Balance at December 31, 2016	4,383	1,649	10,639	958	-	652	395	18,676
Deconsolidation	-	-	(655)	-	-	(652)	-	(1,307)
Amortization recognized during the year	318	109	-	143	-	-	-	570
Balance at December 31, 2017	4,701	1,758	9,984	1,101	-	-	395	17,939
Net book value:								
December 31, 2017	2,969	442	-	852	4,829	-	-	9,092
December 31, 2016	3,287	551	1,212	996	4,920	308	-	11,274

NOTE 12:- GOODWILL AND INTANGIBLE ASSETS (Cont.)

b. Amortization expenses:

Expenses in respect of the amortization of intangible assets are classified in profit or loss as follows:

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Cost of sales	461	458	455
Selling and marketing expenses	109	1,344	1,354
	570	1,802	1,809

c. Impairment of goodwill and intangible assets with a finite useful life:

In order to test the impairment of goodwill and intangible assets with a finite useful life, the Company hired independent qualified appraisers.

For the purpose of impairment testing, goodwill, customer relations, brand name, investment in the right to purchase fruit and investment in young orchards were allocated to the business segments that represent two cash-generating units as follows:

- Industrial segment
- Retail segment

As of December 31, 2017, the carrying amount of intangible assets, as above, allocated to each cash-generating unit that represents a segment is as follows:

	Industrial segment	Retail segment	Total
	U.S. dollars in millions		
Goodwill	3.8	1.1	4.9
Band name	-	0.4	0.4
Investment in the right to purchase fruit and other rights	2.6	0.3	2.9
Investment in young orchards	0.8	0.1	0.9
Total	7.2	1.9	9.1

NOTE 12:- GOODWILL AND INTANGIBLE ASSETS (Cont.)

Industrial segment:

The recoverable amount of the industrial segment was determined based on the value in use which is calculated at the estimated expected future cash flows from this cash-generating unit, as determined according to the budget for the next five years. The pre-tax discount rate of the cash flows is 10.2%. The projected cash flows for the period exceeding five years were estimated using a fixed growth rate of 1.5%.

Retail segment:

The recoverable amount of the retail segment was also determined based on the value in use which is calculated at the estimated expected future cash flows from this cash-generating unit, as determined according to the budget for the next five years. The pre-tax discount rate of the cash flows is 10.1%. The projected cash flows for the period exceeding five years were estimated using a fixed growth rate of 1.5%.

The key assumptions used in calculating the value in use:

The value in use for both the industrial and the retail segments is liable to change if any change occurs in the following assumptions:

- Gross profit.
- Discount rate.
- Growth rate for the period exceeding the five budget years.

Gross profit - the gross profit is calculated based on average values obtained in the three years which preceded the projected period. The long-term growth rate used in the calculation was 1.5% per annum.

Discount rate - the discount rate reflects management's assumptions regarding each unit's specific risk. This discount rate forms a standard basis used by management to estimate its operations and assess prospective investments.

Growth rate - growth rates are based on segment information.

Sensitivity analysis of changes in assumptions:

With respect to the assumptions used in determining the value in use of the industrial and retail segments, management believes that there have been no potential changes in the key assumptions detailed above which might lead to a significant increase in the carrying amount of the segments over their recoverable amount.

NOTE 13:- SHORT-TERM CREDIT FROM BANKS AND OTHERS

Composition:

	Weighted interest rate	December 31,	
	31.12.2017	2017	2016
	%	U.S. dollars in thousands	
In dollars	2.6	3,131	5,099
In Euro	-	-	7,429
		3,131	12,528
Current maturities of long-term loans		7,514	7,334
		10,645	19,862

NOTE 14:- TRADE PAYABLES

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Open accounts (1)	18,770	22,864
Checks payable	46	36
Accrued expenses	1,582	946
	20,398	23,846

Trade payables do not bear interest. The average supplier credit term is 46 days (2016 - 47 days).

(1) Includes a balance of controlling shareholders of $ 1,224 thousand that is linked to the dollar and bears interest at the Libor rate + 1.1% and a balance of controlling shareholders of $ 579 thousand that is a current unlinked and interest free balance.

NOTE 15:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Salaries, wages and payroll accruals (1)	2,151	2,125
Government ministries	-	1,362
Entity under the control of Kibbutz Gan Shmuel (controlling shareholder)	94	155
Accrued expenses	-	16
Advances from customers	166	503
Derivative financial instruments	-	134
Other	33	266
	2,444	4,561
(1) Includes accrued vacation and recreation	995	966

NOTE 16:- LONG-TERM LIABILITIES FROM BANKS AND OTHERS

a. Composition:

	Principal amount	Stated interest rate	Effective interest rate	Balance	Balance less current maturities
	U.S. dollars in thousands	%		U.S. dollars in thousands	
December 31, 2017:					
Loans from banks:					
In dollars - fixed interest	24,000	Fixed 2.24-3.85	3.41	13,500	9,700
In dollars - variable interest	10,220	Quarterly Libor + 1-1.65	3.08	4,640	3,200
In NIS - fixed interest	11,403	Fixed 2.44-3.60	2.61	6,701	4,984
Loans from others:					
Finance lease liability (1)	5,310	Fixed 6.50	6.50	2,812	2,255
	50,933			27,653	20,139

(1) For additional details, see Note 20b(3).

NOTE 16:- LONG-TERM LIABILITIES FROM BANKS AND OTHERS (Cont.)

	Principal amount	Stated interest rate	Effective interest rate	Balance	Balance less current maturities
	U.S. dollars in thousands	%		U.S. dollars in thousands	
December 31, 2016:					
Loans from banks:					
In dollars - fixed interest	27,000	Fixed 2.24-3.85	3.30	17,351	13,501
In dollars - variable interest	15,220	Quarterly Libor + 1-2.15	2.42	6,288	4,640
In Euro - fixed interest	8,251	4.98	4.98	2,725	2,498
In NIS - fixed interest	5,634	3.60	3.60	1,927	840
Loans from others:					
Finance lease liability (1)	5,310	6.50	6.50	3,334	2,812
	61,415			31,625	24,291

(1) For additional details, see Note 20b(3).

b. Maturity dates after the reporting date:

December 31, 2017:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Total
	U.S. dollars in thousands						
Long-term loans	7,514	4,988	3,787	2,490	2,176	6,698	27,653

December 31, 2016:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Total
	U.S. dollars in thousands						
Long-term loans	7,334	6,436	4,445	3,247	2,734	7,429	31,625

NOTE 16:- LONG-TERM LIABILITIES FROM BANKS AND OTHERS (Cont.)

c. Finance lease liability:

Below is information about finance lease liability by breakdown of payment dates:

	December 31, 2017		
	Minimum future lease payments	Interest component	Present value of minimum future payments
	U.S. dollars in thousands		
First year	726	170	682
Second - fifth years	2,542	285	2,071
After fifth year	-	-	-
	3,268	455	2,753

	December 31, 2016		
	Minimum future lease payments	Interest component	Present value of minimum future payments
	U.S. dollars in thousands		
First year	726	204	682
Second - fifth years	2,905	446	2,336
After fifth year	363	9	300
	3,994	659	3,318

d. Financial covenants:

In return for receiving credit facilities from banks and in return for the removal of all the charges that had been recorded in respect of the liabilities of the Company and the subsidiary towards those banks, the Company and the subsidiary have undertaken not to create any new charges without the banks' consent. In addition, the Company and the subsidiary have undertaken towards the banks to comply with several financial and other covenants as follows: (1) the ratio of tangible equity will not be below 25% of the Company's total consolidated balance sheet; (2) there will be no change in the control over the Company as it was on the date of these financial statements without the banks' consent; (3) there will be no change in the nature of the Company's activity without the banks' consent. Non-compliance with these covenants will constitute grounds for immediate repayment.

As of the reporting date, the Company and the subsidiary are complying with said covenants.

NOTE 17:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities:

The financial assets and financial liabilities in the balance sheet are classified by groups of financial instruments pursuant to IAS 39:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Financial assets:		
Financial assets at fair value through profit or loss:		
Financial derivatives not designated as hedges	134	11
Embedded derivatives	7,620	8,500
Investments in financial assets held for trading	3,694	3,313
Total financial assets at fair value through profit or loss	11,448	11,824
Financial assets at amortized cost:		
Loans and receivables	43,919	50,504
Long-term loans granted	3,840	3,931
Total financial assets at amortized cost	47,759	54,435
Total financial assets	59,207	66,259
Total current	47,747	53,828
Total non-current	11,460	12,431
Financial liabilities:		
Financial liabilities at amortized cost	51,309	68,433
Financial liabilities at fair value through profit or loss:		
Financial derivatives	-	137

b. Financial risks factors:

The Group's activities expose it to various financial risks such as market risks (foreign currency risk, Israeli CPI risk, interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance. The Group utilizes derivatives in order to hedge certain exposures to risks.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

The officers in charge of market risk management in the Company are the Company's CEO and CFO who coordinate the risk management activities through an internal committee that reports to the Board based on the Company's needs as they are from time to time while receiving ongoing advice from an economic company that specializes in the foreign market.

The Company's policy is to use derivative financial instruments in order to minimize the exposure to fluctuations in the U.S. dollar exchange rate in relation to the NIS and the Euro. The Company's derivative transactions are only conducted through banks that are obligated to meet capital adequacy and collateral requirements according to specific scenarios.

In various discussions held by the Company's Board and management (in the framework of the Company's finance committee), it was decided to adopt an approach that consists of maximum matching between receipts and payments in different currencies. Since most of the Company's activity is in dollars and its financial statements are presented in dollars, this strategy is feasible.

1. Market risks:

a) Foreign currency risk:

The Group operates in a large number of countries and reports in dollars, therefore, it is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the Euro and the NIS. Exchange rate risk arises on forward commercial transactions, recognized assets and liabilities that are denominated in a foreign currency other than the functional currency and on net investments in foreign operations.

As of December 31, 2017, the Company had excess of financial liabilities over financial assets in NIS in relation to the dollar amounting $ 2,747 thousand (December 31, 2016 - $ 4,886 thousand). Also, as of December 31, 2017, the Company had excess of financial assets over financial liabilities in Euro in relation to the dollar amounting $ 3,304 thousand (December 31, 2016 - $ 7,116 thousand excess of financial liabilities over financial assets).

Management's policy is to reduce to a minimum the balance sheet exposure by creating assets and/or liabilities that are consistent with the Company's nature of activity and, accordingly, most of the Company's borrowings are in dollars against assets in dollars.

The flow exposure is managed in relation to the net cash flow requirements and, from time to time, the excess of net liabilities in NIS and Euro currencies is reviewed and hedged through forward transactions for a period of up to one year. About 80% of the currency exposure is hedged. The hedging method is mostly short-term forward transactions and asymmetric instruments such as long-term cylinder transactions.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

The Group has invested in foreign operations whose net financial assets are exposed to possible fluctuations in exchange rates.

b) Israeli CPI risk:

The Group has assets that are linked to the changes in the Israeli CPI. The net assets that are linked to the Israeli CPI and that expose the Group to changes in the Israeli CPI amounted to $ 2,127 thousand as of December 31, 2017 (December 31, 2016 - net liabilities of $ 1,026 thousand).

c) Interest risk:

Interest risk is the risk that the fair value of future cash flow from a financial instrument will fluctuate because of changes in market interest rates.

The Group's policy is to manage the finance expenses relating to the interest by having a balance between fixed and variable rate long-term loans.

Below are details of the type of interest of interest-bearing financial instruments of the Group (see d below for details of derivative financial instruments):

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Fixed rate instruments:		
Financial assets	1,531	1,275
Financial liabilities	23,013	25,337
Variable rate instruments:		
Financial assets	3,213	3,250
Financial liabilities	7,771	18,816

2. Credit risk:

The Group has no significant concentrations of credit risk. The Group has a policy to ensure collection through sales of its products to wholesalers with an appropriate credit history.

Further, the Company insures most of the receivables by credit insurance.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

Credit risk may arise from the exposure of entering into transactions with a single entity or from entering into transactions with several groups of debtors with similar economic characteristics whose ability to discharge their obligations will be similarly affected by changes in economic or other conditions. Factors that have the potential of creating concentration of credit risk consist of the nature of the debtors' activities, such as their business sector, the geographic area of their operations and their financial strength.

The Group extends an average of 77-day term to its customers. The Group regularly monitors the credit extended to its customers and their general financial condition but does not require collateral as security for these receivables. The Company provides an allowance for doubtful accounts based on the factors that affect the credit risk of certain customers, past experience and other information.

The Company maintains cash and cash equivalents and other financial instruments in various financial institutions. The Company's policy is to diversify its investments among the various institutions.

As of December 31, 2017, cash and cash equivalents totaled $ 11,801 thousand (December 31, 2016 - $ 13,916 thousand). Cash and cash equivalents are invested with high quality financial corporations.

3. Liquidity risk:

The Group aims to preserve the existing ratio between obtaining continued financing and its flexibility in using overdrafts and loans from banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2017:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	U.S. dollars in thousands						
Loans from banks	10,713	4,862	3,503	2,088	2,040	6,995	30,201
Trade payables	20,398	-	-	-	-	-	20,398
Lease liability	727	726	726	727	361	-	3,267
Payables	127	-	-	-	-	-	127
	31,965	5,588	4,229	2,815	2,401	6,995	53,993

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2016:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	U.S. dollars in thousands						
Loans from banks	20,129	6,471	4,274	2,917	2,283	7,496	43,570
Trade payables	23,846	-	-	-	-	-	23,846
Lease liability	726	727	726	726	727	361	3,993
Payables	434	-	-	-	-	-	434
	45,135	7,198	5,000	3,643	3,010	7,857	71,843

c. Fair value:

1. The following table demonstrates the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	Carrying amount		Fair value	
	December 31,		December 31,	
	2017	2016	2017	2016
	U.S. dollars in thousands			
Financial liabilities:				
Long-term loans with fixed interest (1)	23,013	25,337	22,748	25,900

The carrying amount of cash and cash equivalents, investments in financial assets held for trading, trade receivables, other accounts receivable, financial derivatives and long-term loans to others, loans to investees and other companies, credit from banks, trade payables, other accounts payable and long-term loans received with variable interest approximate their fair value.

(1) The fair value of a long-term loans received with fixed interest is based on the computation of the present value of cash flows using interest rate currently available for loans with similar terms. The weighted interest rate as of December 31, 2017 was 3.95% (December 31, 2016 – 3.2%).

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

2. Classification of financial instruments within the fair value hierarchy:

Financial assets at fair value:

December 31, 2017:

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial assets held for trading	3,694	-	-	3,694
Foreign exchange forward contract, net	-	134	-	134
Derivatives and embedded derivatives	-	-	7,620	7,620
	3,694	134	7,620	11,448

Financial assets (liabilities) at fair value:

December 31, 2016:

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial assets held for trading	3,313	-	-	3,313
Foreign exchange forward contract, net	-	(126)	-	(126)
Derivatives and embedded derivatives	-	-	8,500	8,500
	3,313	(126)	8,500	11,687

d. Derivatives and hedging:

Derivatives not designated as hedging instruments:

The Group has foreign currency denominated loans and options aimed to hedge part of its transactions against the exposure to fluctuations in exchange rates. These foreign currency options are not designated as cash flow, fair value or net investments in foreign operation hedges and are entered into for periods consistent with the periods of foreign currency transaction exposure. Such derivatives do not qualify for hedge accounting. Also, the Group has transactions in respect of commodities that do not qualify for hedge accounting.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

The following are details of the Group's financial derivative instruments:

December 31, 2017:

	Exercise/ expiration date	Par value	Fair value
		U.S. dollars in thousands	
Options written:			
Call	January 2018	4,000	(1)
Call	February 2018	4,000	(4)
Options purchased:			
Put	January 2018	4,000	73
Put	February 2018	4,000	66
Total		16,000	134

December 31, 2016:

	Exercise/ expiration date	Par value	Fair value
		U.S. dollars in thousands	
Options written:			
Call	January 2017	3,000	(4)
Call	February 2017	3,000	(13)
Call	March 2017	3,000	(17)
Call	April 2017	3,000	(23)
Call	May 2017	2,000	(17)
Options purchased:			
Put	January 2017	3,000	1
Put	February 2017	3,000	9
Put	March 2017	3,000	17
Put	April 2017	3,000	28
Put	May 2017	2,000	25
Total		28,000	8
Interest rate swaps	November 2022	2,627	(134)

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity tests relating to changes in market factors:

	Sensitivity test to changes in the NIS/U.S.$ exchange rate	
	Gain (loss) from the change	
	Increase of 10%	Decrease of 10%
	U.S. dollars in thousands	
2017	275	(275)
2016	488	(488)

	Sensitivity test to changes in the Euro/U.S.$ exchange rate	
	Gain (loss) from the change	
	Increase of 10%	Decrease of 10%
	U.S. dollars in thousands	
2017	(330)	330
2016	712	(712)

	Gain (loss) from the change	
	Increase of 10% in market factor	Decrease of 10% in market factor
Foreign currency	U.S. dollars in thousands	
NIS/U.S. $:		
2017 - option transactions	(601)	884
2016 - option transactions	(1,099)	1,336

Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and/or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the operating currency and assuming that all the other variables are constant.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

The Group is not exposed to interest risk in respect of long-term loans with fixed interest.

The sensitivity tests for options were performed using the B&S model, with standard deviation of dollar/NIS exchange rate of 6.46% and 6.77%, risk-free NIS interest rate of 0.22% and (0.1%), risk-free dollar interest rate of 1.42% and 1.67%.

f. Linkage terms of financial assets by groups of financial instruments pursuant to IAS 39:

December 31, 2017:

	In or linked to foreign currency		Unlinked	
	NIS	Euro	U.S. $	Total
	U.S. dollars in thousands			
Financial derivatives	-	-	134	134
Investments in financial assets held for trading	61	-	3,633	3,694
Embedded derivatives	-	-	7,620	7,620
Loans and receivables	8,043	3,093	36,623	47,759
Total	8,104	3,093	48,010	59,207

December 31, 2016:

	In or linked to foreign currency		Unlinked	
	NIS	Euro	U.S. $	Total
	U.S. dollars in thousands			
Financial derivatives	-	-	11	11
Investments in financial assets held for trading	58	-	3,255	3,313
Embedded derivatives	-	-	8,500	8,500
Loans and receivables	7,966	4,342	42,127	54,435
Total	8,024	4,342	53,893	66,259

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

g. Linkage terms of financial liabilities by groups of financial instruments pursuant to IAS 39:

December 31, 2017:

	In or linked to foreign currency		Unlinked	
	NIS	Euro	U.S. $	Total
	U.S. dollars in thousands			
Financial liabilities at amortized cost	21,717	797	28,795	51,309

December 31, 2016:

	In or linked to foreign currency		Unlinked	
	NIS	Euro	U.S. $	Total
	U.S. dollars in thousands			
Financial liabilities at amortized cost	14,084	12,564	41,785	68,433
Financial liabilities at fair value through profit or loss:				
Financial derivatives	3	134	-	137
	14,087	12,698	41,785	68,570

h. Changes in liabilities arising from financing activities:

	Balance at January 1, 2017	Cash flows	Effect of changes in exchange rates	Effect of changes in fair value	Other changes	Balance at December 31, 2017
	U.S. dollars in thousands					
Short-term loans	12,528	(1,968)	-	-	(7,429)	3,131
Long-term loans	28,291	(902)	177	-	(2,725)	24,841
Finance lease obligation	3,334	(522)	-	-	-	2,812
Derivatives	126	-	-	8	(134)	-
Total liabilities arising from financing activities	44,279	(3,392)	177	8	(10,288)	30,784

NOTE 18:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

a. Post-employment benefits:

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

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans or as defined contribution plans as detailed below.

The Group employs Kibbutz members, Kibbutz residents who are not members and salaried employees. The Group has received legal opinions and confirmations in 1993, 1997 and 2013 according to which employee-employer relations do not exist between the Group and Kibbutz members and Kibbutz residents working for the Group.

b. Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	Year ended December 31,		
	2017	**2016**	**2015**
	U.S. dollars in thousands		
Expenses in respect of defined contribution plans	612	564	526

c. Defined benefit plans:

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

NOTE 19:- TAXES ON INCOME

a. Tax laws applicable to the Group companies:

Amendment to the Law for the Encouragement of Capital Investments, 1959: (Amendment 68)

In January 2011, the Law for Economic Policy for 2011 and 2012 (Legislative Amendments), 2011 was published which prescribes, among others, amendments to the Law for the Encouragement of Capital Investments, 1959 ("the Law"). According to the amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income under its status as a preferred company with a preferred enterprise. Commencing from the 2011 tax year, the Company can elect (without possibility of reversal) to apply the amendment in a certain tax year and from that year and thereafter, it will be subject to the amended tax rates, as detailed below.

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 71):

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which includes Amendment 71 to the Law for the Encouragement of Capital Investments ("the amendment") was published. According to the amendment, the tax rate on preferred income from a preferred enterprise in 2014 and thereafter will be 16% (in development area A - 9%).

The amendment also prescribes that any dividends distributed to individuals or foreign residents from the privileged enterprise's income, as above, will be subject to tax at a rate of 20%.

The Company applies the amendment since the 2011 tax year.

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the "Knesset" passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

NOTE 19:- TAXES ON INCOME (Cont.)

The Law for the Encouragement of Industry (Taxation), 1969:

The Company and subsidiary have the status of an "industrial company", as implied by this law. According to this status and by virtue of regulations published thereunder, the companies are entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Law.

b. Tax rates applicable to the Group companies:

The Israeli corporate income tax rate was 24% in 2017, 25% in 2016 and 26.5% in 2015.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law") was published which includes, among others, taxation of revaluation gains effective from August 1, 2013. However, these provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of foreign assets. As of the date of approval of these financial statements, these regulations have not been published.

These amendments do not have an impact on the Company because the Company elected to apply amendment 71.

c. Final tax assessments:

The tax assessments of the Company are deemed final through 2012. The tax assessments of subsidiaries are deemed final through 2012.

NOTE 19:- TAXES ON INCOME (Cont.)

d. Deferred taxes:

Composition:

	Statements of financial position		Statements of profit or loss		
	December 31,		Year ended December 31,		
	2017	2016	2017	2016	2015
	U.S. dollars in thousands				
Deferred tax liabilities:					
Inventories	-	36	(36)	(30)	(485)
Property, plant and equipment	810	873	(63)	(51)	(90)
Intangible assets	312	814	(502)	(291)	(448)
	1,122	1,723	(601)	(372)	(1,023)
Deferred tax assets:					
Unrealized gain	37	51	14	9	(10)
Inventories	284	-	(284)	-	-
Allowance for doubtful accounts, accrued vacation and recreation	215	193	(22)	95	(94)
Long-term receivables	240	208	(32)	10	(18)
Other employee benefits	221	200	(21)	(10)	(25)
	997	652	(345)	104	(147)
Deconsolidation			520	-	-
Movement in capital reserves			-	(11)	174
Deferred tax expenses (income)			(426)	(279)	(996)
Deferred tax liabilities, net	(125)	(1,071)			

The deferred taxes are reflected in the statement of financial position as follows:

	December 31,	
	2017	2016
	U.S. dollars in thousands	
Non-current assets	677	262
Non-current liabilities	802	1,333

The deferred taxes are computed at the average tax rate of 16% (2016 - 16%), based on the tax rates that are expected to apply upon realization.

NOTE 19:- TAXES ON INCOME (Cont.)

e. Taxes on income included in profit or loss:

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Current taxes	1,538	3,091	3,916
Tax benefit in respect of previous years	(185)	(149)	(424)
Deferred tax benefit	(426)	(279)	(996)
	927	2,663	2,496

f. Theoretical tax:

A reconciliation between the tax expenses, assuming that all the income and expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Income before taxes on income (excluding equity gain)	17,218	16,444	16,376
Statutory tax rate	24%	25%	26.5%
Tax computed at the statutory tax rate	4,132	4,111	4,340
Increase (decrease) in taxes on income in respect of the following factors:			
Tax benefit from reduced tax rate due to "privileged enterprise"	(807)	(1,486)	(2,202)
Non-deductible expenses	453	327	278
Tax-exempt income	45	(142)	(153)
Taxes in respect of previous years	(185)	(149)	(424)
Differences in the measurement basis (CPI for tax purposes and foreign currency in the financial statements) and others	(2,664)	36	678
Revaluation of tax prepayments	(47)	(34)	(21)
Taxes on income	927	2,663	2,496
Average effective tax rate	5.4%	16%	15.2%

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

a. Contingent liabilities:

1. On June 19, 2016, a motion to approve a class action claim against the Company in the amount of NIS 14 million was filed with the Jerusalem District Court ("the motion") with respect to alleged violations of the provisions of the law in relation to highlight product "Cranberry Nectar" produced by the Company ("the product"). On May 14, 2017, the District Court validated the compromise agreement between the parties, whose main elements are as follows: (a) the Company will immediately cease marketing the product to the private retail market in Israel as it exists in stock, with the captions that are the subject of the motion, and will get it back on market only after the captions that are the subject of the motion are revised; (b) the Company will contribute soft drinks, nectars and juice (manufactured by it or by any of the companies owned by it) at its value (in term of its retail price) of NIS 70,000 to eight hospitals in the periphery; (c) the Company will pay for expenses and fees of the plaintiff's representatives a total of NIS 50,000 plus VAT, as required by law; (d) the Company will pay compensation to the class action plaintiff in the amount of NIS 5,000.

2. On November 14, 2017, the Company received an application for disclosure of documents pursuant to section 198A to the Companies Law, 1999 (a motion for discovery of documents prior to the filing of a motion to approve a derivative action) which was filed with the Tel-Aviv District Court. On February 25, 2018, the Company filed its response to the motion in which it presented to the Court why the motion is based on many errors and incorrect facts and why, according to the law, it should be dismissed. The petitioners have to respond to the Company's response by April 22, 2018. Due to the early stage of this proceeding, it is impossible to assess the chances of the petitioners to receive the requested documents.

3. On December 20, 2015, a hearing was held for the Company at the Ministry of Environmental Protection on suspicion of committing violations of the Hazardous Substances Law. On February 28, 2018, the Company received a letter of demand from the Ministry for details regarding the annual sales turnover of the Company for the purpose of determining the amount of monetary sanctions that the director intends to impose on the Company, further to the hearing detailed above. At this stage, the Company has no information as to the Ministry's plans regarding the amount of the fee however, in the opinion of the Company's management, the fee, if imposed, is not expected to be material.

4. As for contingent liabilities in connection with benefits in accordance with the Law for the Encouragement of Capital Investments, 1959, see Note 19a.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

5. The Company operates development programs approved by the Chief Scientist. In the context of these programs, the Company receives grants based on budgets and performance reports submitted by it to the Chief Scientist. According to the agreements with the Chief Scientist, the Company is obligated to pay future royalties at a rate of 3%-3.5% on sales of the products resulting from the research and development activities financed by the Chief Scientist grants. According to the Law for the Encouragement of Industrial Research and Development, 1984, the Company is obligated to manufacture the products in Israel. Moreover, the Company undertook not to transfer knowhow and manufacturing rights underlying the products developed under the Chief Scientist's grants outside of Israel without the Chief Scientist's consent.

b. Commitments:

1. Agreements with interested parties and entities under their control:

Transactions pursuant to section 270(4) to the Companies Law:

a) The Group's real estate at the Gan Shmuel site:

The Company's plant is located on real estate covering some 75.6 thousand sq. m. close to the Kibbutz which is leased to the Company by the Kibbutz and by Haroshet Shimurim Gan Shmuel (Limited Partnership) (owned by the Kibbutz which is the controlling shareholder in the Company) based on a comprehensive lease agreement for the total real estate (which replaced and extended the former lease agreements between the parties) which was approved by the general meeting from May 7, 2014 after being confirmed by the audit committee and Board for a period of five years from January 1, 2014 (in this paragraph, "the agreement").

The lease fees in respect of the agreement are NIS 500,000 per month, linked to the Israeli CPI plus 3% annually. The Company is allowed to make changes in the leased property, as it deems, without the need for the Kibbutz permission (except changes that may affect building security). Yet, an external change in the building which constitutes part of the leased property ("the building") and/or changes that entail the receipt of a building permit require the Kibbutz permission. External changes that will be made in the building will be made by the Company and on its account unless the parties decide otherwise. If the Company requests, the Kibbutz may finance the external changes in the building and the parties will agree in writing on the surcharge to the monthly lease fees (unless it is a one-time payment) that the Company will pay for the change/addition and the period of payment, all subject to the approval of the Company's audit committee and provided that the above surcharge to the lease fees is less than 10% of the actual building cost.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

If it is more than 10%, the approval of the general meeting is required. Accordingly, following the expansion of the building and the addition to adjust to the Company's needs, on February 22, 2016, the audit committee approved the surcharge to the monthly lease fees in the total of NIS 10,430 per month. On August 17, 2017, the parties signed an addendum to the agreement, which was approved by the Company's Board on August 17, 2017, after being confirmed by the audit committee, according to which the area of the leased property was reduced by 700 sq. m. so the total leased real estate covers some 75.6 thousand sq. m. Based on an appraisal's opinion, since July 1, 2017, the monthly lease fee payable by the Company was revised and reduced by NIS 15,300 per month.

The expenses in respect of this agreement totaled $ 1,982 thousand in 2017 (2016 - $ 1,683 thousand).

In addition, the Company is responsible for paying all taxes that apply to the real estate and it is responsible for protecting the real estate. It is the responsibility of the Company for any third party body injury and property damage arising from its actions or omissions. The Company also insures the property for full replacement value by a duly authorized and reputable insurance company.

b) Placement of personnel services by Kibbutz Gan Shmuel:

In accordance with an agreement signed with Kibbutz Gan Shmuel from November 14, 1993 according to which Kibbutz Gan Shmuel provides the Company personnel (officers and manufacturing employees) required by the Company from time to time (some of the employees are members of Kibbutz Gan Shmuel while others are subcontracted temporary employees). Kibbutz Gan Shmuel has undertaken to indemnify the Company for any cost incurred by the Company in the context of an employer-employee related claim filed by employees who are not Kibbutz members.

According to the provisions of the agreement, Kibbutz Gan Shmuel will provide the Company up to 120 employees who are members of Kibbutz Gan Shmuel and 65 employees who are not Kibbutz members during the peak season (the processing peak season) and up to 108 employees who are members of Kibbutz Gan Shmuel and 35 temporary employees during off-seasons (the end of the tomato season). The total amounts paid by the Company to Kibbutz Gan Shmuel in 2017 for personnel services amounted to approximately $ 4,746 thousand (2016 - $ 4,313 thousand) based on the rate stipulated in the agreement which, as of the date of the financial statements, is approximately $ 173 per labor day for each Kibbutz member or candidate (without distinguishing between senior officers and other employees) and $ 94 per labor day for any other employee ("the fee"). The fee is linked to the known Israeli CPI for January 1, 2000 (based on the decision of the Company's Board from March 2, 2006).

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

On November 12, 2014, the Company's general meeting approved the extension of the agreement for a period of three years from January 1, 2015 to December 31, 2017.

On December 18, 2017, the Company's general meeting confirmed the Company's agreement with Kibbutz Gan Shmuel regarding the fee paid for the services of the Company's senior officers, without any change in the terms of the fee, including the CEO of the Company, for a period of up to one year (i.e., at the latest by December 2018).

As for the approval of the audit committee and Board with respect to the manufacturing employees, see g below.

c) Distribution agreement:

Since the agreement from December 5, 2006 between Ganir and Strauss Marketing Ltd. (a member of Strauss and one of the controlling shareholders in Strauss) for the distribution of chilled products manufactured by Ganir expired in April 2016, Ganir signed a new distribution agreement with Strauss, pursuant to the approval of the general meeting from April 14, 2016 after receiving the confirmation of the Company's audit committee and Board.

The new distribution agreement settles the parties' relations regarding the distribution of chilled products (chilled juices packed to the final consumer for cold distribution) that are manufactured by Ganir or that will be manufactured in the future or imported or purchased in the future by Ganir ("the products").

The agreement is for a period of 5 years starting on April 21, 2016 however, either party has the right to terminate the agreement after the lapse of a period of 36 months and upon an advance notice of 6 months (namely after the end of thirty months).

The expenses in respect of this agreement in 2017 amounted to $ 7,251 thousand (2016 - $ 8,036 thousand). See Note 2bb regarding reclassification following the initial adoption of IFRS 15.

On March 15, 2017, Yotvata Dairies in Memory of Ori Chorazo (controlled by Strauss Dairies Ltd.) ceased to be an interested party and a controlling shareholder in the Company.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

d) Agreement to pump sewage:

On November 14, 2011, an agreement was signed between the Company and Mei Kiryat Gat (2008) Ltd. for pumping the sewage effluent of Ganir (including the sewage effluent of Kibbutz Gat). According to the provisions of the agreement, the Company connected the Ganir plant to the wastewater treatment facility ("WWTF") in Kiryat Gat and for that purpose it laid a pump which connects the plant with the WWTF. The key elements of the agreement are as follows:

1) The sewage effluent of Ganir and the sewage effluent of Gat ("the sewage") will be pumped to the WWTF by infrastructures that, in part, are under the sole responsibility of each party and, in part, are under joint responsibility ("the joint infrastructure"). Decisions relating to the joint infrastructure will be accepted, as far as possible, by agreement between Ganir and Gat yet, in any dispute, Ganir will have the right to decide.

2) Kibbutz Gat has undertaken toward Ganir to bear its relative share of any expenses and liabilities arising from the primary agreement based on the continuing agreement. All stated in the continuing agreement will be subject to the provisions of the primary agreement.

3) Ganir will be fully and exclusively responsible for constructing, operating, monitoring and maintaining the joint infrastructure. Ganir will bear all expenses, costs and liabilities related to the joint infrastructure and will charge from Gat the relative share of these costs as stated in the continuing agreement.

4) Kibbutz Gat has undertaken that the quantity, quality and composition of the sewage to be pumped by it to the joint infrastructure will be as stated in the continuing agreement and under the law. Kibbutz Gat will bear any payment, penalty or expense that will be imposed on it or on Ganir as a result of the violation of the above undertaking.

5) Bills regarding joint consumption (pumping sewage) from K. Gat Water will be fully paid by Ganir and it will charge from Kibbutz Gat its relative share.

6) As far as payment, cost or expense, penalty or any toll is demanded by K. Gat Water in respect of or in connection with the primary agreement, including participation in maintenance costs or upgrading the WWTF, Ganir will pay the amount demanded in full and will charge from Kibbutz Gat its relative share.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

Considering the above, the audit committee and later the Company's Board decided to approve the continuing agreement and thus to apply the primary agreement pursuant to regulation 1(4) to the Companies Regulations (Relief in Transactions with Interested Parties), 2000.

e) Transactions that are not pursuant to section 270(4) to the Companies Law:

1) On December 30, 2014, Gat Palmachim Shalav Limited Partnership ("the partnership"), a wholly owned partnership of Kibbutz Gat, the controlling shareholder in the Company, and Ganir had entered into an agreement as amended on December 5, 2016, for leasing space in Kibbutz Gat by Ganir, on which the partnership built (on its account) a warehouse structure covering some 2,500 sq. m. and adjunct to it an unbuilt operating area covering a total of some 4,000 sq. m. ("the agreement", "the leased property" or "the new warehouse", respectively). The agreement is for a period of ten years starting September 1, 2016.

The monthly lease fees are payable based on the total area of the new warehouse. For any built sq. m. (some 2,500 sq. m.) - NIS 18.54 and for any unbuilt sq. m. (some 4,000 sq. m. of operating area for unloading/loading) - NIS 4. According to the above, the lease fees for the new warehouse total NIS 62,350 per month. These lease fees are linked to the increase in the Israeli CPI based on the known Israeli CPI in February 2014.

The agreement stipulates that over the contractual term Ganir will pay the lowest lease fees that the partnership collects from any other property that it leases under similar terms so that if the partnership (or anyone on its behalf) signs a lease agreement under similar terms at a lower payment with another lessee in respect of one of the other properties on the real estate in the agreement or part thereof, Ganir's lease fees will be reduced and adjusted accordingly.

The agreement and the amendments thereto were confirmed by the Company's audit committee and Board on December 9, 2014 and January 15, 2015, respectively and on December 12, 2016 and January 11, 2017, respectively. The expenses in respect of this agreement in 2017 amounted to $ 218 thousand (2016 - $ 66 thousand).

2) On September 18, 2017 and November 5, 2017, the Company's audit committee and Board confirmed, respectively, the Company's agreement with Kibbutz Gan Shmuel in relation to the employment of manufacturing employees (except senior officers), without any change in its terms, for a period of up to one additional year (no later than December 31, 2018) as a transaction that is not exceptional.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

During this period, the Company intends to negotiate with Kibbutz Gan Shmuel to formulate long-term agreements that will replace the Company's agreements with Kibbutz Gan Shmuel regarding both the manufacturing employees and the officers (as detailed in b(1)(c) above).

f) Placement of personnel services by Kibbutz Gat and Kibbutz Beit-Nir:

On April 24, 2006, Ganir, on the one hand, and Kibbutz Gat and Kibbutz Beit-Nir ("the kibbutz settlements") on the other hand, entered into an agreement which anchors former arrangements and understandings in connection with the provision of personnel services to Ganir. According to the agreement, the kibbutz settlements provide Ganir with personnel (some are members of Kibbutz Gat and Kibbutz Beit-Nir and others are kibbutz members generally employed as temporary employees for a specific period). The agreement relates to manning specific positions in the plant which, if they become available, may be filled at the kibbutz settlements' discretion by first right. The agreement also determines a "wage scale" that will apply in the event that the kibbutz settlements extend more employees to Ganir (for positions other than the ones detailed above). The agreement distinguishes between (senior) positions in respect of which a global wage was determined and other positions where in the event of dedicating more than 186 monthly labor hours, the kibbutz settlements will receive an increment for each "extra hour" worked.

The fees payable to the kibbutz settlements vary according to the type of positions filled by the employees based on a monthly (and not hourly) rate as specified below: [1]

Type of position	Wage scale
	NIS
Manufacturing employees [2]	6,700 - 17,400
Junior managers or professional employees (specifically trained)	9,300 - 17,500
Midlevel managers	17,400 - 19,800
Senior management	27,400 - 43,600

[1] The above amounts refer to 186 monthly labor hours (full-time job), excluding overtime, except positions of personal trust with global payment. The amounts are linked to the Israeli CPI and are updated twice a year, on January 1 and July 1 (the amounts stated above were updated based on the known Israeli CPI on July 1, 2011).

[2] Including production line employees that are on the bottom of the wage scale and production department managers that are on the top wage scale.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

If the Company requires additional employees from either or both of the kibbutz settlements, the wage scale will be classified according to the various departments as follows (based on the wage scale applicable to additional employees as per the agreement): manufacturing employees - NIS 8,000-10,300; junior managers or professional employees (specifically trained) - NIS 11,500-17,200; midlevel managers - NIS 19,500-28,800; senior managers - NIS 28,800-46,000.

According to the agreement, the real fee payable by the Company within the wage scale will be determined at the Company's discretion based on its evaluation of each employee's skills (experience, education, expertise etc.). It should be clarified that the kibbutz settlements will have no right of precedence in providing additional employees to the Company as discussed in this paragraph and there is no limitation on the number of employees which the Company may hire.

Total expenses for placement of personnel services to the Company in 2017 amounted to approximately $ 3,367 thousand (2016 - $ 2,996 thousand).

On November 12, 2014, the Company's general meeting decided to approve the extension of the agreement for a period of three years from January 1, 2015 to December 31, 2017. All other terms remained unchanged. It was further decided in that general meeting to approve the fee payable to kibbutz settlements for the provision of management services by kibbutz members who are senior officers from the end of the former period approved, namely from November 14, 2014 for a period of three years.

On September 18, 2017 and November 29, 2017, the Company's Board confirmed, respectively, that the Company's agreement to hire employees who are kibbutz members remains unchanged as a transaction in which the controlling shareholder has no personal interest until December 31, 2018.

In addition, at the same meetings, the audit and remuneration committee and the Company's Board confirmed the fee paid for the service of Messrs. Elisha Gal, Amos Laufer and Ariella Ventura through the kibbutz settlements in accordance with this agreement.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

g) Acquisition of the activities of Meitav Sauce and Food Industries Ltd.:

On December 3, 2017, an agreement was signed between the Company (through a partnership established for that purpose) and Meitav Sauce and Food Industries Ltd. ("Meitav" and "the agreement", respectively) according to which the Company will acquire all the assets and activity and all the rights and liabilities of Meitav (except assets and liabilities that were excluded from the agreement) in the food sector, including its activity in the institutional and retail markets in the manufacture and marketing of food, including sauces and spreads of various types and in the manufacture of private labels all as they will be on December 31, 2017.

As consideration for this acquisition, the Company undertook to pay Meitav NIS 30 million in accordance with the provisions of the agreement (including fulfillment of the suspending conditions set therein), of which NIS 25 million to Meitav and NIS 5 million to the trustee until the final consideration is determined on the basis of the annual financial statements for 2017. It should be noted that the suspending conditions stipulated in the agreement were fulfilled after the reporting date.

The Company also undertook to pay Meitav additional consideration in an amount not to exceed NIS 5 million over a period of five years from closing, based on the milestones set in the agreement.

The Company financed the acquisition from its own resources and from current credit facilities.

Meitav is a private company that is not related to the Company, which manufactures and markets various types of food (mainly sauces and spreads) and produces private labels for the institutional and retail markets.

The Company does not view this transaction as an acquisition of a material activity.

h) Immaterial transactions:

On March 29, 2009, the Company's Board decided to adopt guidelines and rules for classifying the Company's transaction with its controlling shareholders or with companies controlled by the controlling shareholders or with various transactions in which the controlling shareholders have personal interest therein ("the related parties") as an "immaterial transaction", as determined in Regulation 41(a)(6)(a) to the Securities Regulations (Preparation of Annual Financial Statements), 2010 ("immaterial transaction process").

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

On August 28, 2013, after receiving the approval of the audit committee, the Company's Board decided to update the existing criteria regarding immaterial transactions in such a manner that in the absence of special considerations that arise from certain circumstances, an immaterial transaction (that is not extraordinary) will be any of the types of the transactions described below:

1) The Company's transaction to purchase from related parties retail products and/or raw materials and materials that are used in the production process which is favorable to the Company and which is conducted in the ordinary course of business at arm's length and the annual expenses relating to this transaction do not exceed the threshold of 0.8% of annual operating and gross expenses (cost of sales, selling and marketing expenses and general and administrative expenses) of the Company in the annual consolidated financial statements in the year preceding the date of transaction, provided that total transaction, as above, does not exceed $ 2 million, linked to the level of increase in the Israeli CPI ("the index"), provided that total annual expenses from the purchase of products, as above, does not exceed the threshold of 2.4% of the annual operating and gross expenses in the annual consolidated financial statements in the year preceding the date of transaction and the scope of these transactions in the year preceding the date of transaction does not exceed $ 6 million, linked to the level of increase in the index and provided that the scope of these transactions in the calendar year in which the transaction is approved is not expected to increase beyond this amount as of the date of the approval of the transaction.

2) The Company's transaction to sell to related parties retail products and/or services which is favorable to the Company and which is conducted in the ordinary course of business at arm's length and the annual revenues relating to this transaction do not exceed the threshold of 0.8% of annual revenues of the Company in the annual consolidated financial statements in the year preceding the date of transaction, provided that total transaction, as above, does not exceed $ 1 million, linked to the level of increase in the index, provided that total annual revenues from selling services, as above, does not exceed the threshold of 2.4% of the annual revenues in the annual consolidated financial statements in the year preceding the date of transaction and the scope of these transactions in the year preceding the date of transaction does not exceed $ 3 million, linked to the level of increase in the index and provided that the scope of these transactions in the calendar year in which the transaction is approved is not expected to increase beyond this amount as of the date of the approval of the transaction.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

3) The Company's transaction to purchase from third party services or products together with related parties which is favorable to the Company and which is conducted in the ordinary course of business at arm's length (it is clarified that joint purchase whose aim is to reduce purchase costs while using quantity discount given to a related party due to the scope of purchases it makes will be considered as at arm's length) and the distribution of costs and expenses in the transaction is made based on each party's share of the transaction and the annual expenses relating to this transaction do not exceed the threshold of 1.6% of annual operating and gross expenses (cost of sales, selling and marketing expenses and general and administrative expenses) of the Company in the annual consolidated financial statements in the year preceding the date of transaction, provided that total transaction, as above, does not exceed $ 1 million, linked to the level of increase in the index, provided that total annual expenses from the purchase of services, as above, does not exceed the threshold of 3.2% of the annual operating and gross expenses in the annual consolidated financial statements in the year preceding the date of transaction and the scope of these transactions in the year preceding the date of transaction does not exceed $ 3 million, linked to the level of increase in the index and provided that the scope of these transactions in the calendar year in which the transaction is approved is not expected to increase beyond this amount as of the date of the approval of the transaction.

4) The Company's transaction to purchase/receive services from related parties which is favorable to the Company and which is conducted in the ordinary course of business at arm's length and the annual expenses relating to this transaction do not exceed the threshold of 0.8% of annual operating expenses (selling and marketing expenses and general and administrative expenses) of the Company in the annual consolidated financial statements in the year preceding the date of transaction, provided that total transaction, as above, does not exceed $ 1 million, linked to the level of increase in the index, provided that total annual expenses from the purchase/receipt of services, as above, does not exceed the threshold of 2.4% of the annual operating expenses in the annual consolidated financial statements in the year preceding the date of transaction and the scope of these transactions in the year preceding the date of transaction does not exceed $ 2 million, linked to the level of increase in the index and provided that the scope of these transactions in the calendar year in which the transaction is approved is not expected to increase beyond this amount as of the date of the approval of the transaction.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

5) The Company's transaction to lease space from related parties which is conducted in the ordinary course of business at arm's length and the annual expense relating to the lease of each property does not exceed the threshold of 4% of annual lease expenses in the consolidated balance sheet, provided that total transaction, as above, does not exceed $ 100 thousand, linked to the level of increase in the index.

6) The Company's transaction with related parties which is favorable to the Company and which is conducted in the ordinary course of business at arm's length and the revenues expected to be earned by the Company during the year do not exceed the threshold of 0.4% of total revenues of the Company in the annual consolidated financial statements in the year preceding the date of transaction; or that the expenses expected to be incurred by the Company do not exceed the threshold of 0.8% of annual operating expenses (selling and marketing expenses and general and administrative expenses) of the Company in the annual consolidated financial statements in the year preceding the date of transaction, as the case may be, provided that total transaction, as above, does not exceed $ 1 million, linked to the level of increase in the index.

Despite the mentioned above, it may be that the Company will enter into transactions that are immaterial according to the above definitions but underlying qualitative considerations may result in classifying them as non-immaterial transactions. In such cases, an appropriate reporting will be given. So, for instance, and for illustration purposes only, a transaction with interested party will generally not be considered as an immaterial transaction if it is considered as a significant event by the Company.

It is further indicated that co-dependent transactions actually form the same transaction and they will be examined as a single transaction.

2. Supply of services to a third party (LycoRed):

According to an agreement signed with a third party, the Company provides the third party services for processing special color tomatoes based on a process developed by the third party. The parties agreed on a minimum amount which the third party will pay to the Company in the event that the quantity of tomatoes processed is lower than the agreed minimum quantity.

The agreement was in effect until December 2005 and it is renewed automatically for additional periods of three years each unless one of the parties gives at least 12 months advance notice that it does not wish to renew the agreement. Up to and close to the date of the approval of the financial statements, the parties did not announce of their wish to terminate the commitment.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

3. Engagement to build a steam generating facility:

On February 17, 2010, the Company signed an agreement with Dalkia Energy and Services Ltd. ("Dalkia") for erecting a wooden log powered steam generator. According to the agreement, which was amended in May 2013, Dalkia will bear the expenses and responsibility for constructing the steam facility on the premises of the Company's plant in Kibbutz Gan Shmuel (and will be partly based on a partial facility which had been built by a third party with which the agreement was cancelled by the Company) and will act as an independent subcontractor (without having employer-employee relations with the Company) and as the principal provider of steam to the Company in Kibbutz Gan Shmuel.

The agreement period was ten years from the date of the facility's commercial operation which started on January 1, 2013. At the end of the agreement period (or in the event of the early termination of the agreement for whatever cause), the entire ownership of the steam facility will be transferred to the Company without requiring any additional actions to be taken. Throughout the agreement period, Dalkia is obligated to maintain the facility at its expenses and responsibility and see to the current supply of raw materials for the facility's operation. To secure its undertakings pursuant to the agreement, Dalkia pledged the entire equipment installed by it in the Company's plant in favor of the Company.

Using wood to generate steam significantly reduces emissions as opposed to the former process of using only low-sulfur fuel oil to generate steam.

The engagement was accounted for in the financial statements as a finance lease effective from July 1, 2012 and an asset in the amount of $ 5.3 million was recorded against a finance lease liability to be repaid in current installments based on steam consumption.

4. Liability to pay operating lease fees:

The Group has entered into commercial lease agreements for real estate owned by it which includes the plant area in Kibbutz Gan Shmuel, the microbial laboratory area, a storage area, an office building and real estate in Kibbutz Gat and an additional storage area outside the kibbutz settlements. These leases cannot be cancelled and are for periods of up to five years.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (Cont.)

The future minimal operating lease fees under non-cancellable lease contracts as of December 31 are as follows:

	2017	2016
	U.S. dollars in thousands	
First year	2,994	2,717
Second - fifth years	1,748	4,130
After fifth year	783	924
	5,526	7,771

c. Guarantees provided:

As of December 31, 2017, contingent liabilities in respect of guarantees are as follows:

	U.S. dollars in thousands
Guarantees to subsidiaries (1)	1,000
Guarantees to jointly controlled partnership (2)	7,149
Guarantees to others (3)	1,997
	10,146

(1) The Company has guaranteed the debts of a subsidiary to banks in an unlimited amount. As of December 31, 2017, the balance of the subsidiary's liability to banks totals $ 1,000 thousand (2016 - $ 1,400 thousand). Another subsidiary had no debts as of December 31, 2017 and 2016.

(2) The Company has guaranteed the liabilities of a jointly controlled partnership in an amount up to $ 9 million to secure the fulfillment of its current liabilities to banks. As of December 31, 2017, the Company's share of the jointly controlled partnership's balance of liability to banks is $ 7,149 thousand (2016 - $ 6,000 thousand).

(3) The Company had guaranteed the debts of another subsidiary (which was owned until December 20, 2017) to banks up to the amount of €12 million. This guarantee ended on January 9, 2018. As of December 31, 2017, the balance of the liabilities to banks totals $ 1.7 million (December 31, 2016 - $ 7.4 million).

NOTE 21:- EQUITY

a. Composition of share capital:

	December 31, 2017 and 2016	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 1 par value each	25,000,000	15,842,352

b. Rights attached to shares:

The shares are traded on the TASE and confer upon their holder rights to vote in the general meeting, to receive dividends and the rights to participate in the distribution of the Company's assets upon liquidation.

c. Treasury shares:

The subsidiary's holdings in shares of the Company are as follows:

	December 31,	
	2017	2016
Shares:		
Percentage of issued share capital (in %)	5.2	5.2
Cost (U.S. dollars in thousands)	20	20
Number of shares	828,148	828,148

d. Dividend:

On January 24, 2018, the Company declared distribution of cash dividend of NIS 30,000 thousand. The dividend was paid on March 22, 2018. The dividend per share was $ 0.505.

On February 14, 2017, the Company declared distribution of cash dividend of NIS 30,000 thousand. The dividend was paid on March 29, 2017. The dividend per share was $ 0.505.

On January 20, 2016, the Company declared distribution of cash dividend of NIS 30,000 thousand. The dividend was paid on February 22, 2016. The dividend per share was $ 0.475.

On March 30, 2015, the Company declared distribution of cash dividend of NIS 20,000 thousand. The dividend was paid on April 27, 2015. The dividend per share was $ 0.317.

NOTE 22:- CHARGES

An associate recorded a fixed charge on the land and buildings and a floating charge on the bank accounts.

NOTE 23:- ADDITIONAL INFORMATION TO THE PROFIT OR LOSS ITEMS

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
a. Geographic information:			
Breakdown of sales by destinations:			
Israel	43,175	*) 39,743	*) 40,864
Export	170,367	175,924	189,443
	213,542	215,667	230,307

*) See Note 2bb.

	Year ended December 31,		
	2017	2016	2015
b. Cost of sales:			
Materials consumed	114,531	119,395	134,527
Salaries and related expenses *)	19,033	17,561	17,444
Energy and water	7,376	6,700	7,641
Cold storage	9,033	8,107	9,375
Maintenance	6,962	6,005	6,150
Depreciation	3,117	3,351	3,327
Other manufacturing expenses	2,668	3,236	3,084
Research and development expenses **)	279	375	343
	162,999	164,730	181,891
Decrease (increase) in inventories of work in progress	(1,323)	3,513	(138)
Decrease (increase) in inventories of finished goods and purchased products	3,588	(145)	(2,573)
	165,264	168,098	179,180
*) Including employees of employment agencies	1,411	1,235	1,203
**) Research and development expenses, net:			
Research and development costs	408	497	484
Less - Government grants	129	122	141
	279	375	343

NOTE 23:- ADDITIONAL INFORMATION TO THE PROFIT OR LOSS ITEMS (Cont.)

		Year ended December 31,		
		2017	2016	2015
		U.S. dollars in thousands		
c.	Selling and marketing expenses:			
	Agents' commissions	8,767	*) 8,534	*) 9,599
	Export expenses, mainly transport	7,219	7,453	8,963
	Advertising	2,472	*) 1,811	*) 1,617
	Salaries and related expenses	2,077	1,798	1,844
	Depreciation	101	221	210
	Other expenses	2,900	3,727	3,880
		23,536	23,544	26,113
	*) See Note 2bb.			
d.	General and administrative expenses:			
	Salaries and related expenses	3,437	3,429	3,286
	Professional services	1,316	1,437	1,600
	Depreciation	469	509	484
	Communication	145	164	181
	Bad debts and doubtful accounts	35	(612)	649
	Other	2,102	1,829	1,832
		7,504	6,756	8,032
e.	Other income (expenses), net:			
	Capital loss	(73)	(10)	(84)
	Loss from sale of subsidiary	(764)	-	-
	Gain from sale of investee	798	-	-
	Income from Government compensation	-	96	511
		(39)	86	427
f.	Finance income and expenses:			
	Finance income:			
	Interest income from the Tax Authority and other Government ministries	-	154	92
	Finance income from loans to investees and other companies	1,111	895	582
	Gain from forward transactions	606	138	-
	Gain from securities	196	174	-
	Net gain from change in exchange rates	17	-	-
		1,930	1,361	674

NOTE 23:- ADDITIONAL INFORMATION TO THE PROFIT OR LOSS ITEMS (Cont.)

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Finance expenses:			
Loss from securities	-	-	15
Loss from forward transactions	-	-	69
Interest expenses – income tax and other Government ministries	8	-	
Finance expenses from short and long-term credit	1,020	1,469	1,404
Change in fair value of derivatives and embedded derivatives through profit or loss	624	225	-
Finance expenses from credit to related parties	158	84	73
Net loss from change in exchange rates	-	339	21
Others	101	155	125
	1,911	2,272	1,707

NOTE 24:- NET EARNINGS PER SHARE

Details of the number of shares and income used in the computation of net earnings per share:

	Year ended December 31,					
	2017		2016		2015	
	Weighted number of shares	Net income	Weighted number of shares	Net income	Weighted number of shares	Net income
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
Number of shares and net income according to the statements of profit or loss used in the computation of basic and diluted net earnings	15,014	13,154	15,014	12,563	15,014	12,388

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

Composition:

December 31, 2017:

	Controlling shareholders	Jointly controlled entities
	U.S. dollars in thousands	
Trade receivables	-	1,923
Capital notes	-	11,219
Trade payables	1,810	249
Other accounts payable	94	-
The highest balance of current loans and debts during the year *)	2,545	-

*) There are debit balances with 5 other interested parties ranging between $ 3 and $ 32 thousand.

December 31, 2016:

	Controlling shareholders	Jointly controlled entities
	U.S. dollars in thousands	
Trade receivables	2,541	1,871
Capital notes	-	10,282
Trade payables	1,489	184
Other accounts payable	155	-
The highest balance of current loans and debts during the year *)	3,544	-

*) There are debit balances with 5 other interested parties ranging between $ 2 and $ 28 thousand.

b. Benefits to key management personnel (including directors) employed by the Company:

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Salaries and related benefits to those employed by or on behalf of the Company *)	99	88	90
Fees to directors not employed by or on behalf of the Company	148	133	193

*) Includes salaries of interested parties who are Kibbutz members.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Number of individuals to whom the salaries and benefits refer:			
Related and interested parties employed by or on behalf of the Company	2	2	2
Directors not employed by the Company	11	11	11
	13	13	13

*) Includes salaries of interested parties who are Kibbutz members.

c. Transactions with interested and related parties:

Year ended December 31, 2017:

	For conditions see Note	Key management personnel	Controlling shareholders	Jointly controlled entities
		U.S. dollars in thousands		
Sales	20b	-	*) 3,360	6,400
Cost of sales	20b	-	(10,999)	(1,481)
Selling and marketing expenses	20b	-	(2,033)	(130)
General and administrative expenses	20b	(49)	(2,477)	(6)
Finance income (expenses)	20b	-	(33)	1,028

*) See Note 25f above.

Year ended December 31, 2016:

	For conditions see Note	Key management personnel	Controlling shareholders	Jointly controlled entities
		U.S. dollars in thousands		
Sales	20b	-	*) 17,999	3,960
Cost of sales	20b	-	(9,355)	(1,890)
Selling and marketing expenses	20b	-	*) (4,956)	(122)
General and administrative expenses	20b	(45)	(2,207)	-
Finance income (expenses)		-	2	542

*) See Note 2bb.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

Year ended December 31, 2015:

	For conditions see Note	Key management personnel	Controlling shareholders	Jointly controlled entities
		U.S. dollars in thousands		
Sales	20b	-	*) 17,247	3,479
Cost of sales	20b	-	(9,055)	(2,276)
Selling and marketing expenses	20b	-	*) (6,090)	(118)
General and administrative expenses	20b	(45)	(2,122)	-
Finance income (expenses)	20b	-	(4)	582

*) See Note 2bb.

d. Terms of transactions with related parties:

The purchases from and sales to related parties are carried out at market prices. Outstanding balances at the end of the year are not secured, some bear interest (see Notes 14(1) and 15) and will be settled in cash. No guarantees have been received or given in respect of amounts receivable or payable. For the years ended December 31, 2017 and 2016, the Company did not record any allowance for doubtful accounts in respect of sums receivable from related parties. The estimated allowance for doubtful accounts is calculated at each fiscal year by examining the related party's financial position and its market of operation.

e. Commitments:

See Note 20b(1).

f. On March 15, 2017, Strauss which held Company's shares through Yotvata Dairies in Memory of Ori Chorazo ("Strauss") sold its stake to a third party. As a result of the sale, Strauss ceased to be an interested party in the Company and a party to the shareholders' agreement.

NOTE 26:- BUSINESS SEGMENTS

a. General:

1. The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of the business units and has operating segments as follows:

   Industrial - in which the Company manufactures, markets and sells raw materials for the beverage, nectars and juices industry in Israel and abroad.

NOTE 26:- BUSINESS SEGMENTS (Cont.)

The Company's products that belong to this segment are largely fruit products and fruit byproducts (peel products, essential oils and fruit cells) and non-fruit products.

Retail - in which the Company manufactures, markets and sells juices and nectars to end consumers in Israel and abroad. Products that belong to this segment are mostly "Primore" products.

2. Segment results - part of selling, marketing, general and administrative expenses were charged specifically. Unallocated expenses were charged according to sales ratio.

3. Segment performance (segment income (loss)) is evaluated based on operating income (loss) as presented in the financial statements.

b. Primary reporting on business segments:

1. Revenues:

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Revenues from external customers:			
Industrial	181,633	186,637	196,922
Retail	31,909	*) 29,030	*) 33,385
Total revenues	213,542	215,667	230,307

*) See Note 2bb.

2. Segment results and adjustment to net income:

	2017	2016	2015
Industrial	15,831	15,651	15,660
Retail	1,368	1,704	1,749
Operating income	17,199	17,355	17,409
Finance income (expenses), net	19	(911)	(1,033)
Company's share of losses of company accounted for at equity	3,137	1,218	1,492
Taxes on income	927	2,663	2,496
Net income	13,154	12,563	12,388

NOTE 26:- BUSINESS SEGMENTS (Cont.)

3. Gross profit:

	Year ended December 31,		
	2017	2016	2015
	U.S. dollars in thousands		
Industrial	37,312	37,199	39,743
Retail	10,966	*) 10,370	*) 11,384
Total	48,278	47,569	51,127

4. Additional information on revenues:

	2017	2016	2015
Industrial:			
Fruit products	170,525	177,320	191,234
Fruit byproducts	9,105	7,623	4,225
Non-fruit products	2,003	1,694	1,463
	181,633	186,637	196,922
Retail:			
"Primore" products	26,749	*) 20,274	*) 20,237
Catering products	4,305	7,488	9,529
Private label products	855	1,268	3,619
	31,909	29,030	33,385
	213,542	215,667	230,307

*) See Note 2bb.

c. Geographic information:

Revenues reported in the financial statements derive from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	Year ended December 31, 2017					
	Israel	European Union	Other European countries	Far East	Other countries	Total
	U.S. dollars in thousands					
Sales	43,175	38,309	31,399	94,317	6,342	213,542

	December 31, 2017					
	U.S. dollars in thousands					
Segment assets	152,062	7,147	10,326	12,795	3,392	185,722

NOTE 26:- BUSINESS SEGMENTS (Cont.)

	Year ended December 31, 2016					
	Israel	European Union	Other European countries	Far East	Other countries	Total
	U.S. dollars in thousands					
Sales	*) 39,743	59,397	28,895	81,510	6,122	215,667
	December 31, 2016					
	U.S. dollars in thousands					
Segment assets	142,892	28,109	9,369	17,081	1,605	199,056

	Year ended December 31, 2015					
	Israel	European Union	Other European countries	Far East	Other countries	Total
	U.S. dollars in thousands					
Sales	*) 40,864	58,165	34,802	92,562	3,914	230,307
	December 31, 2015					
	U.S. dollars in thousands					
Segment assets	138,115	32,512	11,537	13,673	1,336	197,173

*) See Note 2bb.

NOTE 27:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. On December 3, 2017, an agreement was signed between the Company (through a partnership established for that purpose) and Meitav Sauce and Food Industries Ltd. ("Meitav" and "the agreement", respectively) according to which the Company will acquire all the assets and activity and all the rights and liabilities of Meitav (except liabilities that were excluded from the agreement) as they will be on the closing date. For additional details, see Note 20b(1)(g) above.

b. On December 20, 2017, the Company and Ganir (1992) Ltd. closed a transaction for the sale of their entire stake in the Company's associate I.F.B. International Food Business S.R.L. ("IFB") (49%) to a third party that is unrelated to the Company and/or to any of its controlling shareholders and that holds the remaining interests in IFB (51%). For additional details, see Note 9c above.

c. On March 15, 2017, Yotvata (controlled by Strauss Dairies Ltd.) sold its stake in the Company to a third party. As a result of the sale, Yotvata ceased to be an interested party in the Company and a party to the shareholders' agreement.

NOTE 28:- EVENTS AFTER THE REPORTING DATE

a. On January 24, 2018, the Company declared distribution of cash dividend of NIS 30,000 thousand. The dividend was paid on March 22, 2018. The dividend per share was $ 0.505.

b. On February 4, 2018, a guarantee in an unlimited amount was issued to Meitav (G.S) Food Industries Limited Partnership.

c. A guarantee of up to the amount of €12 million that had been issued to IFB ended on January 9, 2018.

LIST OF SUBSIDIARIES AND ASSOCIATES

Name of entity		December 31, 2017 Control and ownership rate
Ganir (1992) Ltd.	Subsidiary	100%
Trisun (1993) Ltd.	Subsidiary	100%
VIANDS Sp. Z.O.O.	Equity	50%
Qualicitrus S.L.	Equity	50%
Gan Pelach Limited Partnership	Equity	50.01%
Gan Pelach Ltd.	Equity	50.1%
Citramed Ltd. (1)	Equity	51.09%

(1) In liquidation.

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