G WILLI FOOD INTERNATIONAL LTD
Form 20-F/A
August 30, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A
(Amendment No. 1)

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report ________

Commission File No. 000-29256

G. WILLI-FOOD INTERNATIONAL LTD.
(Exact name of Registrant as specified in its charter
and translation of Registrant’s name into English)

Israel
(Jurisdiction of incorporation or organization)

4 Nahal Harif St., Northern Industrial Zone, Yavne, 81106, Israel
(Address of principal executive offices)

Baruch Shusel

Chief Financial Officer
4 Nahal Harif St. Northern Industrial Zone,
Yavne 81106, Israel
Tel: 972-8-932-1000
(Name, Telephone, E-mail and/or Facsimile number and Address of Registrant's Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of class	Name of each exchange on which registered
Ordinary Shares, NIS 0.10 par value per share	Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

The registrant had 13,043,538 ordinary shares, NIS 0.10 nominal value per share as of December 31, 2011.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No ý

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files):

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer o Accelerated filer o Non-accelerated filer ý

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o

International Financing Reporting Standards as issued by the International Accounting Standards Board ý

Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

EXPLANATORY NOTE

G. Willi-Food International Ltd. (the “Company”) is filing this Amendment No. 1 (the “Amendment”) to its Annual Report on Form 20-F for the year ended December 31, 2011, which was originally filed on April 30, 2012 (the “Original Filing”), to reflect the amendment and restatement of its consolidated statements of cash flows in its financial statements for the year ended December 31, 2011. The Company has amended and restated its statements of cash flows for the year ended December 31, 2011 and for the quarter ended March 31, 2012 to reflect the correct classification of the change in the receivable balance related to the sale by the Company of its holdings in Shamir Salads (2006) Ltd. ("Shamir Salads") as a reconciling item to adjust net cash from operating activities.

As explained more fully in Note 28 to our Consolidated Financial Statements contained in this report, after filing the Original Filing, the Company determined that in the Company's consolidated statements of cash flows for the year ended December 31, 2011, the Company inadvertently classified the increase in the receivable balance related to the sale of its holdings in Shamir Salads as a reconciling item to reduce net cash from operating activities. Consequently, net cash from investing activities in the consolidated statements of cash flows for the year ended December 31, 2011 inadvertently increased by approximately NIS 13.5 million (US $ 3.5 million) and net cash flow from operating activities was inadvertently decreased by the same amount. The abovementioned adjustments have no impact on the Company's consolidated statements of financial position or its consolidated statements of income or its consolidated statements of changes in equity.

Accordingly, to reflect the effects of the restatement, information in the following sections of this report have been revised: (i) "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources – Cash Flow from Operating Activities" and (ii) "Item 8. Financial Information – Consolidated Statements and Other Financial Information" (the "Amended Sections").

Except as required to reflect the effects of the restatement for the items above, the Company has not made any modifications or updates to the Original Filing on Form 20-F. Information not affected by the restatement remains unchanged and reflects the disclosures made at the time of the Original Filing. This Amendment does not describe other events occurring after the Original Filing, or modify or update those disclosures affected by subsequent events. This Amendment should be read in conjunction with the Company’s filings made with the SEC subsequent to the filing of the Original Filing, as information in such reports and documents may update or supersede certain information contained in this Amendment. Accordingly, this Amendment only amends and restates the Amended Sections described above, in each case, solely to reflect the restatement, and no other information in the Original Filing is amended hereby. Currently dated certificates of the Company’s Chief Executive Officer and Chief Financial Officer have been attached as Exhibits 12.1, 12.2, 13.1 and 13.2, and a currently dated consent of Independent Registered Accounting Firm has been attached as Exhibit 15.(a).1.

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PRESENTATION OF INFORMATION

In this Annual Report, references to the “Company”, “we” and “us” refer to G. Willi-Food International Ltd. and its consolidated subsidiaries.

The Company presents its consolidated financial statements in New Israeli Shekels, the currency of the State of Israel. Unless otherwise specified or the context otherwise requires, references to “$”, “US$”, “Dollars”, “USD” and “U.S. Dollars” are to the United States Dollars and references to "NIS" are to New Israeli Shekels.

Solely for the convenience of the reader, this Annual Report contains translations of certain NIS amounts into U.S. Dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or NIS amounts, as the case may be, or could be converted into U.S. Dollars or NIS as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of NIS into U.S. Dollars have been made at the rate of NIS 3.821 = $1.00, the representative exchange rate on December 31, 2011.

PRESENTATION OF FINANCIAL AND SHARE INFORMATION

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB"). We initially adopted IFRS in our financial statements for the year ended December 31, 2008. Our previous financial statements were prepared in accordance with generally accepted accounting principles in Israel ("Israeli GAAP"), which included reconciliation to U.S. GAAP. Following the Company's adoption of IFRS, as issued by the IASB, the Company is no longer required to reconcile its financial statements prepared in accordance with IFRS to U.S. GAAP.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report that are not historical facts, including, without limitation, certain statements made in the sections hereof entitled “Information on the Company,” “Dividends,” “Operating and Financial Review and Prospects,” and “Quantitative and Qualitative Disclosures about Market Risk” are statements of future expectations and other forward-looking statements that are based on management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, the risks set forth in "Item 3. Key Information – D. Risk Factors", including the following:

changes affecting currency exchange rates, including the NIS/U.S. Dollar exchange rate;
payment default by, or loss of, one or more of our principal clients;
the loss of one or more of our key personnel;
termination of arrangements with our suppliers, and in particular Arla Foods amba;
increasing levels of competition in Israel and other markets in which we do business;
increase or decrease in global purchase prices of food products;
interruption to our storage facilities;
our inability to accurately predict consumption of our products;
our inability to anticipate changes in consumer preferences;
product liability claims and other litigation matters;
our insurance coverage may not be sufficient;
our operating results may be subject to variations from quarter to quarter;
our inability to successfully compete with nationally branded products;

our inability to protect our intellectual property rights;

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- our inability to meet the Nasdaq listing requirements;
- significant concentration of our shares are held by one shareholder;
- our management could lose a major amount of its indirect ownership of our common stock through litigation;
- we are controlled by and have business relations with Willi-Food and its management;
- the price of our ordinary shares may be volatile;
- all of our assets are pledged to creditors;
- changes in laws and regulations, including those relating to the food distribution industry, and inability to meet and maintain regulatory qualifications and approvals for our products;
- economic conditions in Israel;
- changes in political, economic and military conditions in Israel, including, in particular, economic conditions in the Company's core markets; and
- our international operations may be adversely affected by risks associated with international business.

The Company is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3: "Key Information-Risk Factors" and Item 5: "Operating and Financial Review and Prospects – Results of Operations".

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIME TABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following selected consolidated financial data for each of the years in the three-year period which ended December 31, 2011, 2010 and 2009 are derived from our audited consolidated financial statements set forth elsewhere in this report, which have been prepared in accordance with IFRS as issued by IASB. The selected consolidated financial data for the years ended December 31, 2008 and 2007 is derived from our audited consolidated financial statements not appearing in this report. All of the financial data set forth below are in thousands (except per share amounts). You should read the following selected consolidated financial data in conjunction with Item 5: "Operating and Financial Review and Prospects" and the consolidated financial statements and notes thereto appearing elsewhere herein. Historical results are not necessarily indicative of any results to be expected in any future period.

Recent Exchange Rates of NIS to one U.S. Dollar

The table shows the high and low exchange rate of NIS per one U.S. Dollars for the last six months:

	High	Low
November 2011	3.800	3.650
December 2011	3.821	3.727
January 2012	3.854	3.733
February 2012	3.803	3.700
March 2012	3.814	3.715
April 2012 (through April 27, 2012)	3.769	3.723

The representative exchange rate for NIS on December 31, 2011 was NIS 3.821 = $1.00, and the representative exchange rate for NIS on April 27, 2012 was NIS 3.757 = $1.00.

The average exchange rate of NIS 3.579 = USD 1.00 was for the year ended December 31, 2011, NIS 3.732 for the year ended December 31, 2010, NIS 3.933 for the year ended December 31, 2009, 3.588 for the year ended December 31, 2008 and 4.108 for the year ended December 31, 2007.

Income Statement Data:
In accordance with IFRS

	2011		2010	2009	2008	2007
	NIS	USD	NIS	NIS	NIS	NIS
Revenue	264,404	69,198	271,143	230,134	218,820	201,617
Cost of sales	202,699	53,049	194,957	165,134	176,282	156,062
Gross profit	61,705	16,149	76,186	65,000	42,538	45,555
Selling expenses	27,482	7,192	31,077	22,586	20,971	20,602
General and administrative expenses	17,375	4,547	17,818	15,887	12,333	12,280
Other (Income) expenses	(240)	(63)	(96)	(5,330)	1,837	(454)
Total operating expenses	44,617	11,677	48,799	33,199	35,141	32,428
Operating profit	17,088	4,472	27,387	31,801	7,397	13,127
Finance income	1,480	387	5,543	2,744	(4,167)	2,111
Finance expense	313	82	666	420	(432)	(323)
Finance income (expense), net	1,167	305	4,877	2,324	(3,735)	2,434
Profit before taxes on income	18,255	4,778	32,264	34,125	3,662	15,561
Taxes on income	(3,906)	(1,022)	(6,991)	(4,869)	749	2,174
Profit from continuing operations	14,349	3,755	25,273	29,256	2,913	13,387
Profit (loss) from discontinued operations	4,173	1,092	4884	2,272	(2,646)	(8,748)
Profit for the year	18,522	4,847	30,157	31,528	267	4,639
Attributable to:						
Owners of the Company	18,311	4,792	28,177	30,436	(786)	2,342
Non-controlling interest	211	55	1,980	1,092	1,053	2,297
Net Income	18,522	4,847	30,157	31,528	267	4,639
Basic and diluted earnings per Share from continuing operations	1.06	0.28	1.96	2.85	0.28	1.14
Basic and diluted earnings (loss) per Share from discontinued operations	0.29	0.08	0.22	0.11	(0.36)	(0.91)
Basic and diluted earnings (loss) per Share	1.35	0.35	2.18	2.96	(0.08)	(0.23)
Shares Used in Computing Earnings per Share	13,565,068	13,565,068	12,876,294	10,267,893	10,267,893	10,267,893
Dividend declared per share	-	-	-	-	-	-

Balance Sheet Data:
In accordance with IFRS

	2011		2010	2009	2008	2007
	NIS	USD	NIS	NIS	NIS	NIS
Working capital	267,204	69,930	249,044	148,359	122,396	142,645
Total assets	347,683	90,993	367,284	282,719	273,342	239,452
Short-term bank debt	-	-	5,780	10,372	17,562	5,978
Shareholders' equity	310,317	81,214	306,872	206,480	185,582	190,607
Capital stock	13,565,068	13,565,068	12,876,294	10,267,893	10,267,893	10,267,893

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Risks Related to Our Business and Industry

Our results of operations may be impacted by monetary risk. Our portfolio of marketable securities is subject to various market risks.

We are exposed to fluctuations in the rate of the United States Dollar and Euro versus the NIS. Most of our income is in NIS, whereas most of our purchases are in United States Dollars and in Euros. In addition, a significant portion of our short term bank borrowings, when needed, are in United States Dollars and/or in Euros. A significant depreciation in the NIS vis-à-vis the United States Dollar and/or Euro could have a material adverse effect on our results of operations and financial condition.

We strive to minimize market risks arising from exchange rate fluctuations and the cost of imported goods, especially by opening wide documentary credits for suppliers abroad, holding foreign currency reserves and initiating forward transactions and foreign currency options.

As a method of investing cash reserves, we hold from time to time a portfolio of marketable securities traded on the Tel Aviv Stock Exchange as well as other stock exchanges and certain bonds traded abroad. This portfolio of marketable securities is subject to various market risks resulting from fluctuations in interest rates and foreign currency, exchange rates, price fluctuations and other market risks in Israel and abroad. We do not utilize derivative securities for trading purposes, enter into swap arrangements or otherwise hedge our currency in a manner that we believe could expose us to significant market risk.

Our financial instruments consist mainly of cash and cash equivalents, current accounts receivable, short-term borrowings, current accounts payable and accruals. In view of their nature, the fair value of the financial instruments, included in working capital, is usually identical or close to their book value.

Our business may be materially affected if any of our major clients defaults on its payment to us.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of trade receivables. Despite our large number of clients (over 1,500 in Israel and abroad), a significant part of our sales is made to a limited number of customers (mainly the organized market). Our two largest customers, Shufersal Ltd. and Mega Retail Ltd. (Blue Square), accounted for 26% of our sales in 2011. We generally do not require and do not receive collateral from those customers, although we do require and receive collateral from most of the remainder of our clients in Israel to ensure security of collecting payments. We maintain an allowance for doubtful debts based upon factors surrounding the credit risk of specific customers, historical trends and other information which our management believes adequately covers all anticipated losses in respect of trade receivables. There can be no assurance that this allowance will be adequate. In the event that any of our major clients defaults on its payment obligations to us, we will not possess sufficient security to collect the entire debt.

We depend on a small number of principal clients who have in the past bought our products in large volumes. We cannot assure that these clients or any other client will continue to buy our products in the same volumes, on the same terms or at all.

Despite our wide dispersion of clients, we have two major clients, Shufersal Ltd. and Mega Retail Ltd., both of which own, among other things, supermarket chains, who accounted for approximately 12% and 14%, respectively of our revenue during 2011. We do not have long term purchase contracts with our clients, and our sales arrangements with our clients do not have minimum purchase requirements. We cannot assure that our major clients will continue to buy our products at all or in the same volumes or on the same terms as they have in the past. Their failure to do so may significantly reduce our sales. Losing one or more of them may adversely affect our business results. In addition, we cannot assure that we will be able to attract new customers.

We are dependent on our key personnel. The loss of any of our key personnel could have a material effect on our business.

We depend on a small number of technical staff, managers and directors, including management services provided to us by Zwi Williger and Joseph Williger, through management companies that they control, each of whom holds senior management positions with us. We do not have any key-man life insurance policy on either Zwi Williger or Joseph Williger. The loss of either or both of them could have a material adverse effect on our business and operations.

We are dependent on Arla Foods amba, or "Arla", and we also work with a limited number of other key suppliers. If these suppliers raise prices or terminate their engagement with us, our operating results could be adversely affected.

We are dependent on Arla, which supplies a high percentage (51% in 2011) of our dairy and dairy substitute products, although we are not dependent on any single supplier in respect of a majority of our products. Terminating the engagement with any supplier, and Arla in particular, or a material change in the engagement terms for purchasing products from those suppliers may have an adverse effect on our results of operations. We have a distribution agreement with Arla pursuant to which we serve as Arla’s sole and exclusive agent and distributor in Israel of certain products for a ten-year period from March 2005. See “Item 4. Information on the Company – B. Business Overview – Suppliers”. If this supplier raises its prices, our operating results may be adversely affected. See risk factor below - "Increases or decreases in global product prices have in the past, and in the future may continue to have a material adverse effect on our profitability.". We believe that there are alternative suppliers for purchasing our products;

however, we cannot assure that the products of the alternative suppliers will become immediately available and that the terms of purchase will be similar to the current ones.

We may not be able to successfully compete with larger competitors who have greater operations, financial, marketing, labor and other resources than we have.

The food distribution business in Israel is highly competitive. We face competition from existing competitors in respect of imported as well as locally manufactured food products. Local producers are not subject to the financial risks of importing food products or to governmental policies regarding taxation of imported food products to which we are subject. We may also face competition from potential newcomers to the food business as well as from existing importers and/or manufacturers not currently involved in the same lines of products as us. In addition, in the event we further expand our activity in the international food markets, we will also face competition from manufacturers and/or distributors from the locations in which we expand our activity. Certain of our current and potential competitors are substantially more established, benefit from substantially greater market recognition and have greater financial, marketing, labor and other resources than we have. If any of our competitors materially reduces prices, we may be required to reduce our prices in order to remain competitive. Such reductions, if effected, could have a material adverse effect on our financial condition and results of operations.

Increases or decreases in global product prices have in the past, and in the future may continue to have a material adverse effect on our profitability.

In 2011 - 2012 the cost of food commodities and other food products is subject to cyclical and other market factors and may fluctuate significantly. As a result, our cost in securing these products is subject to substantial increases over which we have no control. In addition, fuel costs, which represent the most significant factor affecting utility costs at our facilities and our transportation costs are subject to wide fluctuations. Although we are making best efforts, we cannot assure that we will be able to pass on to customers the increased costs associated with the procurement of these products. Moreover, there has in the past been, and there may in the future be, a time lag between the incurrence of such increased costs and the transfer of such increases to customers. To the extent that increases in the prices of our products cannot be passed on to customers or there is a delay in passing on the increased costs to customers, we are likely to experience an increase in our costs which may materially reduce our margin of profitability.

Further, there is an additional time lag from when we purchase inventory from our suppliers situated outside of Israel, (or commit to purchase inventory from our suppliers) until the time we sell this inventory to our customers in Israel. To the extent that the purchase price of products that we purchase decreases from the time that we purchase our inventory (or commit to purchase our inventory) until the time we sell the inventory to our customers, our margin of profitability may be materially reduced if we are not able to sell our products at prices exceeding the market price.

Increases or decreases in global product prices in the future may have a material adverse effect on our profitability.

Our results of operations may be adversely affected if we do not accurately predict the rate of consumption of our products.

We hold inventory of basic foodstuffs (such as preserved food, edible oils, pasta and rice) and other food products, and we accumulate inventories of these products based on our prediction of the consumption of these products. If actual consumption does not meet the prediction, and the shelf life of such products expire or we cannot otherwise sell such products, this may materially and adversely affect our financial condition and results of operations. On the other hand, to the extent we do not have adequate inventory of these critical products (due, for example, to an emergency situation), we will not be able to meet the needs of our customers and our potential revenues may be adversely affected.

We may be unable to anticipate changes in consumer preferences, which may result in decreased demand for our products.

Our success depends in part on our ability to anticipate the tastes and eating habits of consumers and to offer products that appeal to their preferences. Consumer preferences change from time to time and our failure to anticipate, identify or react to these changes could result in reduced demand for our products, which would adversely affect our operating results and profitability.

We may be subject to product liability claims for misbranded, adulterated, contaminated or spoiled food products.

We sell food products for human consumption, which involve risks such as product contamination or spoilage, misbranding, product tampering, and other adulteration of food products. Consumption of a contaminated, spoiled, misbranded, tampered or adulterated product may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness or injury, and we could incur liabilities that are not insured or that exceed our insurance coverage. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time consuming and may require management to spend time defending the claims rather than operating our business. A product that has been actually or allegedly misbranded or becomes adulterated could result in: product withdrawals, product recalls, destruction of product inventory, negative publicity, temporary plant closings, and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against us, could result in a loss of confidence in our food products, which could have an adverse effect on our financial condition, results of operations or cash flows.

We may be adversely affected by any interruption to our storage facility.

We store most of our products in one main location – a logistics center warehouse situated in Yavne, Israel, used for products being distributed to customers. Any interruption to this storage facility, whether by power failure, flooding or other event, would have a material impact on our ability to trade in the ordinary course.

Our insurance coverage may not be sufficient to cover our losses in the event our products are subject to product liability claims or our products are subject to recall. In such event, it would have a material adverse effect on us.

Our products may become the subject of product liability claims, and there can be no assurance that our property insurance coverage limits will be adequate or that all such claims will be covered by insurance. A product recall or a product liability claim, even one without merit or for which we have substantial coverage, could result in significant expenses, including legal defense costs, thereby increasing our expenses, lowering our earnings and, depending on revenues, potentially resulting in additional losses. A successful product liability claim or other judgment against us in excess of our insurance coverage could have a material adverse effect on us and our reputation.

Our operating results may be subject to variations from quarter to quarter.

Our operating results may be subject to variations from quarter to quarter depending on, among other things, the timing of sales campaigns and special events initiated by both us and our customers, the major Jewish holidays (such as the Jewish New Year and Passover), our ability to manage future inventory levels in line with business opportunities and anticipated customers' demand, competitive developments in the market, changes in the rates of inflation in Israel and fluctuations in NIS/Dollar exchange rates. There can be no assurance that our sales or net income (if any) in any particular quarter will not be lower than the preceding and/or comparable quarter or that our sales or net income (if any) in a particular quarter will be indicative of our results of operations for the entire year. The trading prices of our ordinary shares may fluctuate significantly in response to variations in our operating results.

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Our branded products may not be able to compete successfully with nationally branded products.

For sales of our branded products to retailers, the principal competitive factors are price, product quality and quality of service. For sales of branded products to consumers, the principal competitive factors are price and product quality. In many cases, competitors with nationally branded products may have a competitive advantage over our products primarily due to name recognition.

Competition to obtain shelf space for our branded products with retailers is primarily based on the expected or historical performance of our product sales relative to our competitors. The principal competitive factors for sales of our branded products to consumers are brand recognition and loyalty, product quality and price. Most of our branded competitors have significantly greater resources and brand recognition than we do.

Competitive pressures or other factors could cause us to lose market share, which may require us to lower prices, increase marketing expenditures, and/or increase the use of discounting or promotional programs, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability.

We may not successfully integrate our acquisitions

We have made numerous acquisitions in the past and may do so in the future. Our success will depend in part on our ability to manage the combined operations of any acquired company, to integrate the operations and personnel of such company together with our other subsidiaries into a single organizational structure, and to replace those subsidiary managers who have departed or may in the future leave our employ. There can be no assurance that we will be able to effectively integrate the operations of our subsidiaries and our acquired businesses into a single organizational structure. Integration of operations could also place additional pressures on our management as well as on our key personnel. The failure to successfully manage any integration could have an adverse material effect on results of our operations.

If we are unable to protect our intellectual property rights, our competitive position could be compromised.

We market certain products under the trademarks “Willi-Food”, “Pizza Top”, “Gold Food”, "Donna Rozza", "Manchow", "Krisponim", "Bubles", “Gold Frost”, "Habulgaria" and "Tifeeret". Although we have registered trademarks for these brands, we cannot assure that the degree of protection these and other trademarks offer will be sufficient to protect our rights in these marks.

If our ordinary shares are delisted from Nasdaq, the liquidity and price of our ordinary shares and our ability to issue additional securities may be significantly reduced.

We may in the future fail to comply with the Nasdaq Capital Market regulations and listing requirements as to minimum net income, minimum number of shareholders and public float and other requirements, and as a result Nasdaq may initiate procedures to delist our ordinary shares from the Nasdaq Capital Market.

Since the beginning of 2012, our stock price has been trading in a range from $4.28 to $5.01 per share. Under Nasdaq’s Marketplace Rule 5450(a)(2), (“Rule”) any company whose share has a closing bid price less than $1.00 for 30 consecutive business days may be subject to a delisting proceeding instigated by Nasdaq. We now satisfy this requirement as our stock price is well above $1.00 per share. If we fail to meet the continued listing criteria defined under the Rule, our ordinary shares may be delisted from trading on the Nasdaq Capital Market.

Delisting from the Nasdaq Capital Market could have an adverse effect on our business and on the trading of our ordinary shares. If a delisting of our ordinary shares were to occur, our shares would trade on the OTC Bulletin Board or on the "pink sheets". The OTC Bulletin Board and "pink sheets" are generally considered to be less efficient markets, and this could diminish investors' interest in our ordinary shares as well as significantly impact our share price and the liquidity of our ordinary shares. Any such delisting may also severely complicate trading of our shares by our shareholders, or prevent them from re-selling their shares at/or above the price they paid. Furthermore, our relatively low trading volumes may make it difficult for shareholders to trade shares or initiate any other transactions. Delisting may also make it more difficult for us to issue additional securities or secure additional financing.

In July 2003 and in November 2004, we received letters from the Nasdaq Stock Market informing us that we had failed to meet a continued listing requirement, that we have 500,000 publicly held shares, and that our ordinary shares were therefore subject to delisting from the Nasdaq Capital Market, unless a proper plan for complying with the requirement was presented. Following the receipt of the November 2004 letter, Willi-Food Investments Ltd. and Mr. Joseph Williger sold 75,000 of our shares to the public and at the same time we distributed a one to one stock dividend to our shareholders. As a result of these actions, we then complied with the abovementioned listing requirements and the threat of delisting was removed.

One shareholder owns a large percentage of our shares.

As of the date of this Annual Report, Willi-Food Investments Ltd., which we refer to as Willi-Food, owned approximately 56.31% of our ordinary shares. Mr. Joseph Williger, who serves as President and as a director of our company held, as of April 27, 2012, approximately 21.33% of the outstanding shares of Willi-Food (approximately 21.22% on a fully-diluted basis). Mr. Zwi Williger, who serves as Chairman of the Board of our company held, as of April 27, 2012 approximately 37.54% of the outstanding shares of Willi-Food (approximately 37.34% on a fully-diluted basis).

Our Articles of Association do not provide for cumulative voting rights with respect to the election of directors and every resolution of the company in the general meeting of shareholders is deemed duly passed if passed by a simple majority of the shareholders present and voting unless another majority is required by the Israeli Companies Law or by our Articles of Association.

Our management could lose a major amount of its indirect ownership of our ordinary shares through litigation.

In 2008, Mr. Arcadi Gaydamak ("Gaydamak") borrowed approximately NIS 76 million (US $20 million) from companies owned by Messrs. Zwi Williger and Joseph Williger (the "Williger Brothers"). These loans were secured by Gaydamak's equity securities of Willi-Food, the parent company to G. Willi-Food ("Parent"). The loans included a provision whereby the Williger Brothers had a call option to acquire the Parent equity if Gaydamak defaulted under the loans. In September 2008, Gaydamak defaulted under these loans, and accordingly the Williger Brothers increased their ownership of the Parent by exercising their call option to acquire such interests; Zwi Williger by 21.65% and Joseph Williger by 21.65% (based on Willi-Food's outstanding shares at that time).

Gaydamak filed a lawsuit in Israel in September 2009 against the Williger Brothers and others, claiming, among other things, that the Williger Brothers did not rightfully exercise the call option. The Company is not a party to the lawsuit. The Williger Brothers have informed us that their legal counsel has advised them that the lawsuit is without merit, and that they intend to vigorously contest the dispute. The Williger Brothers indicated that their attorneys advised that, according to all the information and documents presented to them, that the Williger Brothers exercised the call options in a rightful and bona fide manner. We have been further advised that the loan agreements were breached by Gaydamak and, at the time of the breach, Gaydamak also declared that he had no intention of paying his debts to the Williger Brothers. At the same time, other creditors submitted significant claims against the assets of Gaydamak and placed attachments on his assets, and therefore a real risk arose that the Willi-Food securities would also be attached. Under these circumstances, in addition to the breach of the loan agreement, by not presenting all the required securities and other breaches, there was also a definite anticipatory breach of the loan payment and a real risk to the securities. Under these circumstances, management believes that the Williger Brothers clearly had the full right to exercise the call option and the lawsuit is without merit.

According to the Williger Brothers' legal counsel, such lawsuit is presumably baseless and has a very low chance of success.

However, in the event the lawsuit is ruled against the Williger Brothers, their ownership interest in Willi-Food would be reduced (Zwi Williger from approximately 37.54% to approximately 19.94% and Joseph Williger from approximately 21.33% to approximately 3.73%) and Gaydamak would own a significant indirect interest in our company.

We are controlled by and have business relations with Willi-Food and its management.

Willi-Food, our controlling shareholder, is a holding company whose main asset is the ordinary shares it owns in our company. Willi-Food currently does not directly conduct any material business.

Willi-Food, Mr. Zwi Williger, currently a 37.54% shareholder of Willi-Food, the Chairman of our Board of Directors, and Mr. Joseph Williger, currently a 21.33% shareholder of Willi-Food, a director and our President, have been and continue in certain cases to be party to certain agreements and arrangements relating to our operations. Such transactions include service and employment arrangements between each of Messrs. Joseph and Zwi Williger with us, and a service agreement we have with Willi-Food. All such transactions include consideration.

In addition, certain of our key personnel also serve in management positions in Willi-Food. By serving in dual capacities, these persons may experience conflicts of interest involving the two companies. Israeli law imposes procedures, including, for certain material transactions, a requirement of shareholder approval, as a precondition to entering into interested party transactions. These procedures may apply to transactions between Willi-Food and us. However, we cannot assure that we will be able to avoid the possible detrimental effects of any such conflicts of interest by complying with the procedures mandated by Israeli law.

The price of our ordinary shares may be volatile.

The market price of our ordinary shares has fluctuated significantly and may be affected by our operating results, changes in our business, changes in the products we market and distribute, and general market and economic conditions which are beyond our control. In addition, the stock markets in general have, from time to time, experienced significant price and volume fluctuations that are unrelated or disproportionate to the operating performance of individual companies. These fluctuations have affected stock prices of many companies without regard to their specific operating performance. The price of our ordinary shares may fluctuate significantly in the future.

Also, the financial markets in the Unites States and other countries have experienced significant price and volume fluctuations, and market prices of public companies have been and continue to be extremely volatile. Volatility in the price of our ordinary shares may be caused by factors outside of our control and may be unrelated or disproportionate to our results of operations. In the past, following periods of volatility in the market price of a public company's securities, shareholders have frequently instituted securities class action litigation against that company. Litigation of this kind could result in substantial costs and a diversion of our management's attention and resources.

If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ordinary shares may be adversely affected.

Our reporting obligations as a public company are placing a significant strain on our management, operational and financial resources and systems. We are a relatively young company with limited accounting personnel and other resources with which to address our internal controls and procedures. In addition, we implemented financial and disclosure control procedures and corporate governance practices that enable us to comply, on a stand alone basis, with the Sarbanes-Oxley Act of 2002 and related Securities and Exchange Commission, or the SEC, rules. For example, we developed accounting and financial capabilities, including the establishment of an internal audit function and development of documentation related to internal control policies and procedures. Failure to establish the necessary controls and procedures would make it difficult to comply with SEC rules and regulations with respect to internal control and financial reporting. We need to take further actions to continue to improve our internal controls. If we are unable to implement solutions to any weaknesses in our existing internal controls and procedures, or if we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud and investor confidence and the market price of our ordinary shares may be adversely impacted.

All of our assets are pledged to bank.

We have pledged substantially all of our assets to Bank Leumi Le'Israel Ltd., Bank Mizrahi-Tefahot Ltd. and Bank Hapoalim Ltd. in order to secure credit lines from each of these banks. If we were to utilize these credit lines, we expect that the proceeds from the sale of any of these assets may be used to prepay the principal amount owed on the credit lines secured by these pledges. As a result of these arrangements, our ability to dispose of pledged assets may require the consent of these banks, and our ability to incur further debt (whether secured or unsecured) is limited.

Risks Related to Our Location in Israel

We are subject to regulations and other policies of the Israeli government and of other countries into which we import and export. If we are unable to obtain and maintain regulatory qualifications or approvals for our products, our business may be adversely affected.

Regulatory, licensing and quotas: The import, export, storage, marketing, distribution and labeling of food products are subject to extensive regulation and licensing by various Israeli government and municipal agencies, principally the Ministry of Health, the Ministry of Trade and Industry, the Ministry of Agriculture and the Ministry of Finance. To the extent that we have imported and exported, or will import and export, food products outside of Israel, we may be subject to quotas and other import and export laws and regulations which may limit our ability to sell certain of our food products into these countries. We are required to maintain our distribution processes in conformity with all applicable laws and regulations. In the event that such laws and regulations change, or we fail to comply with such laws and regulations, we may be prevented from trading within Israel or another part of the world.

Tariffs: The Ministry of Finance and the Ministry of Trade and Industry of the State of Israel may increase the levels of tariffs on importing goods. This would have a direct impact on us and our financial performance by increasing our costs which we may not be able to pass on to our customers.

Kosher Licenses: Under kosher regulations, we are required to ascertain that the food products which we offer for sale bear kosher certification approved by certain authorities such as the Chief Rabbinate of Israel. There is a risk that the relevant authorities in Israel or other areas of the world responsible for issuing kosher licenses may change the criteria for obtaining such licenses. In such circumstances, we may be prohibited from obtaining kosher licenses for various products that we sell into the various kosher markets. Failure to comply with such applicable laws and regulations in

relation to kosher licenses could subject us to civil sanctions, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on us and our financial performance.

Economic conditions in Israel affect our financial performance.

A major part of our sales are made in Israel, and consequently our financial performance is dependent to a significant extent on the economy of Israel. The recuperation that started in the last months of 2009 continued into 2010, unemployment rates have decreased and the gross domestic product increased by app. 4.6%. This has resulted in our customer base, both in the retail and in the wholesale markets, expanding their purchases from us, both in quantities and by purchasing higher cost food products. A deterioration of the economic situation in Israel may erode the real wages and lower the buying power of our potential customers. This in turn may adversely affect our activities and business results.

In 2011 our business results were adversely affected by the national protest against the cost of food products which led our customers to reduce the selling prices of food products, pressuring us to decrease our selling prices to them. An ongoing consumer demand for price reductions may have a material adverse effect on us and our financial performance.

We may be affected by political, economic and military conditions in Israel and the Middle East.

Political, economic and military conditions in Israel have a direct influence on us because our operations are located there. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could materially and adversely affect our operations. Several Arab countries still restrict business with Israeli companies and these restrictions may have an adverse impact on our operating results, financial condition or the expansion of our business. We could be adversely affected by restrictive laws or policies directed towards Israel and Israeli businesses. In December 2008, Israel was engaged in an armed conflict with Hamas in the Gaza Strip, in the southern region of Israel. During the summer of 2006, Israel was engaged in an armed conflict with Hezbollah, a Lebanese Islamic Shiite militia group, which disrupted most daily civilian activity in northern Israel. These events have at times caused considerable damage to the Israeli economy. As a result of the political and military situation, Israel’s economy has at times suffered considerably. Ongoing or revived hostilities related to Israel may have a material adverse effect on our business and on our share price. The recent revolutions and political uncertainty that took place in the surrounding countries, can have a direct and indirect influence on Israel's political and economical situation, at this point the company's management cannot predict the impact on its business.

Many of our executive officers and employees in Israel are obligated to perform annual military reserve duty in the Israeli Defense Forces and may be called to active duty under emergency circumstances at any time. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. Our operations could be disrupted by the absence for a significant period of one or more of our executive officers or key employees or a significant number of our other employees due to reserve duty. Any disruption in our operations may harm our business.

Additionally, boycotts of products, prompted by political, religious or other factors, may affect our financial condition and results of operations, From time to time Pro-Arab organizations over the world promote local boycotts on Israeli origin products.

It will be extremely difficult to acquire jurisdiction and enforce liabilities against us, our officers and directors who are based in Israel.

We are organized under the laws of the State of Israel. The majority of our officers and present directors reside outside of the United States and most of our operations and assets, and assets of these persons are located outside the United States. As a result, it may not be possible for United States investors to enforce their legal rights, to effect service of process or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties against us, our directors or our officers under Federal securities laws. Further, it is unclear if extradition treaties now in effect between the United States and Israel would permit effective enforcement of criminal penalties of the Federal securities laws. It may also be difficult to enforce civil liabilities under United States federal securities laws in actions initiated in Israel.

Our international operations may be adversely affected by risks associated with international business.

We purchase food products from over 150 suppliers located around the world. Therefore, we are subject to certain risks that are inherent in an international business. These include, but are not limited to:

- varying regulatory restrictions on sales of our products to certain markets and unexpected changes in regulatory requirements;
- tariffs, customs, duties, quotas and other trade barriers;
- difficulties in managing foreign operations and foreign distribution partners;
- longer payment cycles and problems in collecting accounts receivable;
- fluctuations in currency exchange rates;
- political risks;
- foreign exchange controls which may restrict or prohibit repatriation of funds;
- export and import restrictions or prohibitions, and delays from customs brokers or government agencies;
- seasonal reductions in business activity in certain parts of the world; and
- potentially adverse tax consequences.

Depending on the countries involved, any or all of the foregoing factors could materially harm our business, financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The Company was incorporated in Israel in January 1994 under the name G. Willi-Food Ltd. and commenced operations in February 1994. It changed its name to G. Willi-Food International Ltd. in June 1996. The Company's corporate headquarters and principal executive offices are located at 4 Nahal Harif Street, Northern Industrial Zone, Yavne, 81106, Israel. The Company's telephone number in Israel is (972) 8-9321000.

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In May 1997, the Company completed an initial offering to the public in the United States (the “Initial Public Offering”) of 1,397,500 units, each unit consisting of one ordinary share and one redeemable ordinary share purchase warrant.

In May 2001, the Company acquired all the shares of Gold Frost Ltd., which we refer to herein as Gold Frost, for NIS 336 thousand (USD 95 thousand). Gold Frost, which was registered in 1977 in Israel, is engaged in designing, developing and distributing frozen and chilled food products.

On March 9, 2006, the Company's subsidiary, Gold Frost, completed an initial issuance to the public on the London AIM market which yielded gross proceeds of NIS 36.5 million (USD 10.3 million). Following this issuance, as of May 30, 2006, the Company held approximately 75.7% of Gold Frost's share capital. During November 2007-January 2008, the Company purchased on the AIM market an additional approximately 14.3% of Gold Frost's share capital, reaching aggregate holdings of up to 90% of Gold Frost's share capital.

On October 5, 2006, the Company raised approximately $9.6 million in net proceeds through private placement of shares of its ordinary shares and warrants to institutional investors. The Company issued a total of 1,652,893 ordinary shares as well as warrants to purchase 561,982 additional shares at an exercise price of $8.00 per share.

In February 2007, the Company formed a joint global kosher trade and export company ("Baron") with the Baron family (an unrelated third party), kosher food exporters located in Israel. The Company owned a 50.1% interest in Baron, and the Baron family owned the remaining interest. Under the terms of the agreement, in consideration for the 50.1% interest in Baron, the Company paid $1 million in owner's loans that were converted into equity on April 1, 2008. On September 2, 2009, the Company signed an agreement to sell all of its holdings in Baron and to assign all of its rights and obligations to the Baron family. In exchange for the sale of shares and the assignment of rights and obligations, the Baron family agreed to pay US$ 937,500, which was paid to the Company on the date of execution of the agreement. As a result of the sale of the shares of Baron, the Company recognized a capital loss of NIS 1.5 million (USD 0.4 million). See “Item 10. Additional Information – 10C. Material Contracts".

Since April 2007, the Company operates from a logistics center situated in Yavne, Israel, that replaced the Company’s previous logistics center, located nearby, as well as the Company's use of numerous external warehouse facilities. The logistics center was established in an effort to reduce the Company's operating costs, increase its logistical efficiency and to optimize its overall operational activity. For more information, see "Item 4D. Property, Plants and Equipment."

In January 2008, the Company purchased 51% of the interests of Shamir Salads (2006) Ltd. ("Shamir"), an Israeli manufacturer and distributor of pre-packaged chilled kosher Mediterranean dips and spreads in Israel and abroad. On December 18, 2011 the Company announced an agreement to sell its entire 51% ownership interest in Shamir to the other shareholders of Shamir. The sale closed on January 1, 2012. See “Item 10. Additional Information – 10C. Material Contracts".

In February 2008, the Company's subsidiary Gold Frost purchased a 51% interest from the owners of a dairy distributor in Denmark Kirkeby International Foods A/S ("Kirkeby"), and the former owner remained with the remaining interest. In June 2009, Gold Frost signed an agreement to sell its 51% interest in Kirkeby to Kirkeby and/or to the former owner for $400,000. According to the terms of the agreement, an amount equal to the balance of outstanding invoices owed by Gold Frost to Kirkeby would be deducted as a down payment, and the remainder was paid by deducting the purchase price by a pre-determined amount for each shipment of goods that Gold Frost would purchase from Kirkeby or from the former owner, and the balance of the consideration, was paid in April 2011. See “Item 10. Additional Information – 10C. Material Contracts".

On May 20, 2008, a Special General Meeting of Gold Frost approved the cancellation of its ordinary share listing to the AIM Market of the London Stock Exchange. The cancellation of Gold Frost's AIM admission took place on May 27, 2008. On July 27, 2009, the Company announced that it had successfully completed a tender offer for all of the issued and outstanding share capital of Gold Frost which were not already held by the Company. The Company paid an aggregate amount of approximately £370,430 for all such shares and depositary interests.

On March 17, 2010, the Company raised net proceeds of approximately a $19 million through a public offering of its ordinary shares. The Company issued a total of 3,305,786 ordinary shares at a purchase price of $6.05 per share, and the Company also granted to the underwriter an option, exercisable within 30 days from the date of the public offering, to purchase up to an additional 330,579 ordinary shares. This option expired without the underwriter's exercise of such option.

In September 2011, the Company initiated a share repurchase program permitting the Company to repurchase up to $5 million of the Company's ordinary shares over the period of twelve months as part of its ongoing consideration of alternative methods to take advantage of the Company's strong cash position. In February 2012, in light of the global and Israeli economic situations and the foreseeable recession, the Company terminated its repurchase program in order to focus its resources on developing its core business activity. From the inception of the repurchase program, the Company has purchased approximately $2.9 million of its ordinary shares.

The Company’s principal executive offices are situated at 4 Nahal Harif St., Northern Industrial Zone, Yavne, 81106 Israel. The Company’s telephone number is 972-8-9321000, its fax number is 972-8-9321001, its e-mail address for communications is willi@willi-food.co.il and its Web site is www.willi-food.com.

CAPITAL EXPENDITURES

Our capital expenditures were $0.7 million, $1.7 million and $0.5 million for the three years ended December 31, 2011, 2010 and 2009, respectively. For mor information, see "Item 4D. Property, Plants and Equipment".

B. BUSINESS OVERVIEW

Overview

The Company is an Israeli-based company engaged, directly and through subsidiaries, in the development, import, export, marketing and distribution of a wide variety of over 600 food products world-wide. Most of the Company's sales are made in Israel with widespread demand in the Israeli marketplace, as well as products which cater to more select groups.

The Company purchases food products from over 150 suppliers located in Israel and throughout the world, including from the Far East (China, India, the Philippines and Thailand), Eastern Europe (Poland and Latvia), South America (Ecuador and Costa Rica), Canada, Western and Central Europe (The Netherlands, Belgium, Germany, Sweden, and France) and Southern Europe (Spain, Portugal, Italy, Turkey, Greece).

The Company's products are marketed and sold to over 1,500 customers in Israel and around the world (for example — to The Netherlands, England, Denmark, Belgium, Ukraine, France, Switzerland, Russia etc.), including supermarket chains, wholesalers and institutional consumers. The Company markets most of its products under the brand name “Willi-Food,” and some of the chilled and frozen products under the brand name “Gold Frost.” Certain products are marketed under brand names of the manufacturers or under other brand names. In addition, the Company distributes some of its products on an exclusive basis, as described further below.

During the last five years, the Company has acquired controlling interests in several businesses and has formed joint ventures with other businesses. Some of these businesses were not successful and, accordingly, the Company sold them at prices similar to the original acquisition costs. One of these businesses (Shamir) was sold by the Company at 2.7 times of the original acquisition costs. The Company continues to re-evaluate its strategic position and to consider other business opportunities. As part of this re-evaluation, the Company is also considering forming strategic alliances with or entering into different lines of business. The Company has no current plans, arrangements or agreements with respect to any mergers, acquisitions, or additional financing.

As of April 1, 2012, the Company's principal shareholder, Willi-Food, held approximately 56.31% of the Company's outstanding share capital. The primary assets of Willi-Food are the Company's ordinary shares. See "Item 7. Major Shareholders and Related Party Transactions". Willi-Food's securities are traded on the Tel Aviv Stock Exchange.

Business Strategy

The Company's business strategy is:

- to promote the "Willi-Food" brand name and other brand names used by the Company (such as "Gold Frost" and "Tifeeret") and to increase market penetration of products that are currently sold through, among other things, marketing efforts and advertising campaigns;

- to expand its current food product lines and diversify into additional product lines, as well as to respond to market demand; and

- to expand the Company's activity in the international food markets, mainly in the U.S. and Europe.

Utilizing management's expertise in identifying market demand and preferences, as well as its sourcing abilities, the Company intends:

- to continue to locate, develop and distribute additional food products, some of which may be new to Israeli consumers;

- to penetrate new food segments within Israel through the establishment of food manufacturing factories or the establishment of business relationships and cooperation with existing Israeli food manufacturers.

- to increase its inventory levels from time to time both to achieve economies of scale on its purchases from suppliers and to more fully meet its customers' demands;

- to further expand the international food markets, mainly in the U.S. and Europe, by purchasing food distribution companies and/or increasing cooperation with local existing distributors and/or exporting products directly to the customer; and

- to penetrate new markets within the Middle East through the establishment of business relationships and cooperation with representatives in such markets subject to a positive political climate.

The Company has developed certain trade relationships locally, as well as in areas administered by the Palestinian Authority, although current sales volumes to the Palestinian administered areas are low.

In addition, the Company has:

- promoted the value of the "Willi-Food" brand and other brand names used by the Company and introduced additional food products to the Israeli marketplace under the Company's brand names;
- initiated sales in the U.S. and Europe; and
- entered into arrangements with recognized manufacturers to market their products under their respective brand names, in addition to brand names under which the Company currently markets its products.

Segments

We import, market and distribute products as part of our import segment.

Import Segment

We import, market and distribute a broad variety of over 600 food products. Sales of import segment products accounted for approximately 78% of our sales in 2011 (when including Shamir sales). These products are sold by us and by Gold Frost.

We aim to broaden the variety of products we import. We expect to launch additional new products into our product lines in the near future while continuing to develop new and innovative food products.

The principal products in the import segment product line are as follows:

- Canned Vegetables and Pickles: including mushrooms (whole and sliced), artichoke (hearts and bottoms), beans, asparagus, capers, corn kernels, baby corn, palm hearts, vine leaves (including vine leaves stuffed with rice), sour pickles, mixed pickled vegetables, pickled peppers, an assortment of black and green olives, garlic, roasted eggplant sun and dried tomatoes. These products are primarily imported from China, Greece, Thailand, Turkey, India, and The Netherlands.

- Canned Fish: including tuna (in oil or in water), sardines, anchovies, smoked and pressed cod liver, herring, fish paste and salmon. These products are primarily imported from the Philippines, Thailand, Greece, Germany and Sweden.

- Canned Fruit: including pineapple (sliced or pieces), peaches, apricot, pears, mangos, cherries, litchis and fruit cocktail. These products are primarily imported from China, the Philippines, Thailand, Greece and Europe.

- Edible Oils: including olive oil, regular and enriched sunflower oil, soybean oil, corn oil and rapeseed oil. These products are primarily imported from Belgium, Argentina, Turkey, Italy, Holland and Spain.

- Dairy and Dairy Substitute Products: including hard and semi-hard cheeses (parmesan, edam, kashkaval, gouda, havarti, cheddar, pecorino, manchego, maasdam, rossiysky, iberico and emmental), molded cheeses (brie, camembert and danablu), feta, Bulgarian cheese, goat cheese, fetina, butter, yogurts, butter spreads, margarine, melted cheese, cheese alternatives, condensed milk, coffee whitener, pizzas, ice cream, whipped cream and others. These products are primarily imported from Greece, France, Latvia, Denmark, Bulgaria, Italy, and The Netherlands.

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- Dried Fruit, Nuts and Beans: including figs, apricots, chestnuts, sunflower seeds, sesame seeds, walnuts, pine nuts, cashew nuts, pistachio and peanuts. These products are primarily imported from Greece, Turkey, India, China, Thailand and the United States.

- Other Products: including, among others, instant noodle soup, Manchu, breadstick coffee creamers, lemon juice, halva, Turkish delight, cookies, vinegar, sweet pastry and crackers, sauces, corn flour, rice, rice sticks, pasta, spaghetti and noodles, breakfast cereals, corn flakes, rusks, couscous, rusks, gnocchi, tortilla, dried apples snacks, chocolate bars and chocolate paste, tea, deserts (such as tiramisu and pastries), light and alcoholic beverages (such as ouzo, sangria and mohito) and more. These products are primarily imported from The Netherlands, Germany, Romania, Italy, Greece, Belgium, the United States, Scandinavia, Switzerland, China, Thailand, Turkey, India, and South America (including Argentina).

Manufacturing Segment

Prior to the disposition of the Company’s interest in Shamir, we manufactured, marketed and distributed a broad line of over 400 Mediterranean style chilled salads. The products were manufactured in our logistics center at the industrial zone in Barkan, Israel and were distributed across the country and to several clients abroad. Sales of manufacturing segment products accounted for approximately 22% of our sales in 2011. At the end of 2011 we closed our manufacturing segment after selling our holdings in Shamir. The operating data of the manufacturing segment is presented as a discontinued operation in our financial statements.

Export Segment

On 2009 we closed our export segment after selling our holdings in Baron and selling Gold Frost’s holdings in Kirkeby. The operating data of the export segment is presented as a discontinued operation in our financial statements.

Products

The products that generated the largest sales volume for the year ended December 31, 2011 were chilled salads (22% of sales), dairy and dairy substitute products (21% of sales) and canned vegetables (16% of sales).

The products that generated the largest sales volume for the year ended December 31, 2010 were chilled salads (22% of sales), dairy and dairy substitute products (19% of sales) and canned vegetables (16% of sales).

The products that generated the largest sales volume for the year ended December 31, 2009 were chilled salads (24% of sales), dairy and dairy substitute products (18% of sales) and canned vegetables (17% of sales).

The allocation mentioned above does not include the product line "Other Products" in the Import segment, as it includes products that have no characteristic definition.

Most of the products that we import and market are approved as Kosher by, and/or under the supervision of, various supervisory institutions including the Chief Rabbinate of Israel, Badatz Edah HaChareidis, Chug Chatam Sofer, certain Jewish organizations administering Kashrut procedures and certifications (such as the Union of the Orthodox Jewish Congregation of America (referred to as OU), Badatz Igud Harabanim Manchester, OK, Circle K and Triangle K) and rabbis of local Jewish congregations abroad. See “Government Regulation”.

Our products are packaged by various manufacturers and suppliers abroad and labeled with Hebrew, English and, in certain cases, Arabic and Russian labels, in accordance with our instructions and requirements and in accordance with applicable law. See “Government Regulation”.

Suppliers

Import Segment

We are not a manufacturer in the import segment; we purchase final food products only. We purchase food products from over 150 suppliers, including suppliers located in Israel, the Far East (China, India, the Philippines and Thailand), Eastern Europe (Hungary, Poland, Latvia and Bulgaria), South America (Argentina, Ecuador and Costa Rica), the United States, Canada and in Western, Northern and Southern Europe (Sweden, Denmark, Greece, The Netherlands, Italy, Portugal, Spain, Belgium, Germany, France, Turkey and Cyprus).

In addition, we actively maintain contact with approximately 150 suppliers world-wide through which we assess, on an on-going basis, world market trends, fluctuations in prices, international trends, and other issues relevant to our business. Our management and personnel visit food trade fairs world-wide on a regular basis and endeavor to create new business relationships with potential suppliers.

Certain of the import segment products we import are seasonal agricultural products, such as artichokes, cherries, mushrooms and peaches. In order to assure ourselves a continued supply of these seasonal items, we generally make arrangements with the producers of such products at the beginning of the season for the terms of purchase of such items for the upcoming year.

A substantial portion of our purchases from suppliers in the import segment is made in US Dollars (such as purchases from the Far East, the United States, South America and certain European countries) with the remaining purchases usually made in Euros and other foreign currencies (e.g., Swedish Kronas). Supply is generally made to us against letters of credit for a period of up to 90 days.

Manufacturing Segment

In the case of the manufacturing segment, during 2011 Shamir manufactured all of the chilled salads. In the manufacturing segment, we purchased raw ingredients from over 60 non-exclusive local suppliers to manufacture the chilled salads. Most of those purchases were denominated in NIS. However, we closed down our manufacturing segment at the end of 2011, after the sale of our holdings in Shamir.

General

We are not dependent on any given supplier for the supply of a majority of our products. We purchase most of our products from several suppliers. We are dependent on one source of supply - Arla from Denmark - with respect to a large part of our dairy and dairy substitute products - a part of the import segment. A distribution agreement between us and Arla grants us an exclusive and non-transferable right to market and distribute cheese and butter products manufactured by Arla and its affiliated companies in Israel. Our exclusivity is subject to our purchase of certain minimum quotas of products. The agreement was signed in March 2005 for a period of 5 years. In July 2007, the agreement was extended for a period of 10 years from March 2005 and is renewable automatically for a further period of five years, unless notice of termination is provided by either party. Arla has the right to terminate the agreement on three months' notice under certain circumstances, including in the case of the death or permanent incapacity of Zwi Williger or his ceasing to be involved in our business or if we fail to satisfy its minimum purchase requirements under the agreement.

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We do not generally enter into written agency or other agreements with our suppliers. However, we have written agreements with 18 foreign suppliers from the import segment that confirms our exclusive appointment as the sole agent and/or distributor of such suppliers, either with respect to a specific product or with respect to a line of products, within the State of Israel. These exclusivity rights have generally been granted for periods of 12 – 24 months and are automatically extendable unless terminated by either party upon prior notice, and in certain cases are conditioned upon our compliance with certain minimum purchase requirements. The suppliers from which we received such letters of confirmation accounted for 32% and 31% of our purchases in 2011 and in 2010, respectively. In a few instances we did not fulfill our commitment to the minimum purchase requirements, but since the commencement of our activities, no supplier has terminated its agreement with us due to our failure to comply with the minimum purchase requirements. Our purchases are not motivated by a desire to meet minimum purchase requirements, and the considerations in purchasing products from these suppliers are identical to those for purchasing from other suppliers.

We do not have any supplier who accounts for more than 10% of the total purchases in the years 2011 and 2010.

The average volume of our credit balance with our suppliers amounted in 2011 to NIS 38.4 million (US$10.0 million) consisting of 58 days of suppliers credit on average, in 2010 to NIS 38.6 million (US$10.1 million) consisting of 56 days of suppliers credit on average and in 2009 to NIS 47.3 million (US$12.4 million) consisting of 79 days of suppliers credit on average.

Customers

The Company's products are marketed and sold to over 1,500 customers throughout Israel and outside of Israel.

The Company's customers generally fall within one of the following two groups:

- large retail supermarket chains in the organized market, and
- private supermarket chains, mini-markets, wholesalers, manufactures, institutional customers and the customers in the Palestinian Authority referred herein as the "private sector".

The first major group includes the largest Israeli supermarket chains in the organized market in Israel, including: (i) Shufersal Ltd. (including the chains: Shufersal Deal, Shufersal Big, Shufersal Sheli, Shufersal, Yesh, Shufersal Express and Katif); (ii) Mega Retail Ltd. (which also includes Mega, MegaBool, Mega in the City and Zol B'Shefa); and (iii) Co-Op Israel (which also includes Co-Op Jerusalem, Mister Zol and Pashut Zol). The Company contracts with the supermarket chains in the organized market through the buyers in the head office of the supermarket chain, and then the Company receives orders from the logistics center or directly from their stores. Merchandise is then delivered directly to each branch or to the supermarket's chain distribution center.

The second major group includes private supermarket chains, mini-markets, wholesalers, food manufacturers, institutional consumers, such as catering halls, hotels, hospitals and food service companies and food producers, and customers in the Palestinian Authority.

The Company's sales (including the manufacturing segment sales), by customer group, for the years ended December 31, 2011 and 2010 are as follows:

	Percentage of Total Sales Year Ended December 31			
Customer Groups	2011		2010	
Supermarket Chains in the organized market	29	%	25	%
Private Supermarket Chains, mini-markets, wholesalers, manufacturers, institutional consumers and the customers in the Palestinian Authority	71	%	75	%
	100	%	100	%

The Company's largest customer (a supermarket chain in the organized market) accounted for 14% and 10% of the Company's sales in 2011 and 2010, respectively. The Company's second largest customer (a supermarket chain in the organized market) accounted for 12% and 11% of the Company's sales in 2011 and 2010, respectively.

The loss of these major customers would have a material adverse effect on the Company’s financial condition and results of operations. The Company is seeking to expand its operations in other areas so as to reduce its dependence on any single significant customer.

We agreed to pay the large supermarket retail chains in the organized market incentives calculated as a fixed percentage of the annual sales to such customer. Other incentives include penetration discounts for sales of our new products, selves stocking, limited discounts for opening of new branches that sell our products and payments for participation in our product advertisements. The above mentioned incentives vary among customers and are usually awarded as part of a written annual framework agreement.

These incentives typically range from 5% to 10% of our annual sales to such customers and are generally paid at the beginning of each year with respect to the previous year’s sales. These arrangements also generally include specific exclusions, such as direct or joint importing of products that are not considered for purposes of such incentives. Certain of these commitments are not evidenced in written agreements. For the years ended December 31, 2011, 2010 and 2009, we paid and/or are obligated to pay approximately NIS 4,428 thousand (USD 1,159 thousand), NIS 3,728 thousand (USD 976 thousand) and NIS 3,970 thousand (USD 1,039 thousand), respectively, with respect of such incentives.

Our engagement with private sector customers is not subject to any exclusivity provisions or framework agreement, and they have no specific term. Prior to any engagement with a potential private sector customer, we examine the financial stability of such potential customer and determine the extent of the credit and period for which credit would be granted. Most of the private sector customers are required to deposit securities as collateral (personal and/or bank guarantees as well as post-dated checks). Some of the customers of this sector (mainly private supermarket chains and wholesalers) are also awarded incentives based on the increase in volume of sales to such customers in excess of a certain agreed amount, or incentives calculated as a fixed percentage of the annual sales to such customer. Other incentives include penetration discounts for sales of our new products, self shelf stocking, limited discounts for opening of new branches that sell our products and payments for participation in our product advertisements. The extent of such incentives varies between 0.5%-9% of the increase in volume of sales to such customers in excess of a certain agreed amount or of the annual sales turnover of each relevant customer (depending on the agreement with each customer).

The average aggregate debit balance of the Company's customers with the Company amounted in 2011 to NIS 81.6 million (USD 21.4 million) and the average time period within which our accounts receivable were paid was 87 days,

in 2010 to NIS 87.9 million (USD 23.0 million) and the average time period within which our accounts receivable were paid was 90 days and in 2009 to NIS 74.8 million (USD 19.6 million) and the average time period within which our accounts receivable were paid was 91 days.

In the event that a client does not respect its financial commitments, the Company may elect to foreclose on the collateral or the promissory note given by customers in the private sector. In 2008-2011, no significant use of this means was implemented. The Company strives to minimize its credit risks by constantly reviewing the credit it extends to customers versus the security it receives. As a result, the Company has ceased selling products to certain customers and considerably reduced sales to other customers, and may continue to do so.

In July 13, 2005, Club Market Marketing Chains Ltd., one of the three largest food chains in Israel, owner of 114 stores and a major customer of the Company, encountered major financial difficulties, announcing that it could not pay its debts to its creditors. The District Court of Tel Aviv accepted Club Market's petition for a stay of procedures against it and appointed receivers for Club Market. On August 28, 2005, the court allowed the sale of Club Market to Shufersal, subject to several conditions. As of September 1, 2005, Club Market's activities were substantially transferred to Shufersal. This merger of two of the three largest food chains in Israel strengthened Shufersal's buying power with local food suppliers (such as the Company) and the dependency of local food suppliers on Shufersal has grown.

The Company submitted a claim of debt with the receivers with respect to Club Market's debt to the Company, amounting to NIS 6.5 million (USD 1.7 million), including VAT (NIS 5.5 million net of VAT (USD 1.4 million), as of July 13, 2005. As of the date of this Annual Report, the Company has received approximately NIS 2.6 million (USD 0.68 million). In view of this claim and the ratification of a creditors' arrangement by the court on December 12, 2005, the Company is expected to receive a proportional share of its claim of debt. The Club Market receivers established the rate of payment to be approximately 51% of the total debts. The receivers have approved the Company's claim of debt in the amount of NIS 5.6 million (USD 1.47 million), including the NIS 2.6 million (USD 0.68 million) already received by the Company. There is no assurance as to the portion of the debt owed by Club Market that will actually be paid to the Company.

The Company's bad debt expenses for the years ended December 31, 2011, 2010 and 2009 amounted to NIS 203 thousand (USD 53 thousand), NIS 433 thousand (USD 113 thousand) and NIS 456 thousand (USD 119 thousand), respectively.

Distribution, Marketing and Sales

The Company principally distributes and markets its products on its own. The Company markets its products via internal sales agents, though in cases of sales of certain products to clients situated in different areas of Israel, the Company distributes products through external distributors with whom it does not have exclusivity agreements. Sales by these distributors are not significant.

The Company generally has no written agreements with its customers, nor are its arrangements with its customers on an exclusive or binding basis. The Company generally extends its customers approximately 60-90 days credit beginning at the end of the month in which the sale took place. The supermarket chains in the organized market generally effect payment by wire transfers or cash payments on the due date, while other customers are generally required to provide post-dated promissory notes at least one month prior to the date of the expected payment. The Company generally does not require the supermarket chains in the organized market to provide any kind of security for payments; however, other customers may be required to provide security, including personal guarantees.

Sales are made by the placement of customers' orders (except for part of the dairy and dairy substitute products), which are directed to the Company's regional office and placed by the sales personnel or directly by the customers. Orders are delivered by the Company's transport network (including 11 refrigeration trucks, eight regular trucks and four combined trucks) and by independent transporters. In certain cases, the Company transports products directly from port to customers, utilizing the services of independent transporters. In some instances, the Company transfers the merchandise to the logistics centers of the supermarket chains, and the supermarket chains themselves are responsible for the distribution of the merchandise to their chain stores for a commission charged to the Company.

The sale of part of the dairy and dairy substitute products is performed by "van sale" sales agents using small terminals. The sales agents supply these products immediately from the stock of products in the refrigeration trucks in which they travel.

Some of the marketing and distribution to institutional clients in the private sector (such as hotels, police, prisons, the Ministry of Defense and "Kibbutz" collective settlements) is done by winning tenders or direct distribution or by wholesalers.

In the import segment, the Company generally holds an inventory of products which the Company believes to be sufficient to meet market requirements for a period of up to 60 days. Occasionally, the Company may take advantage of low priced merchandise and purchase larger amounts than usual of a product with long shelf life. In those cases, the inventory quantities may be even higher than 90 days. Products ordered by customers in full container loads are generally forwarded directly to the customers' facilities without being stored in the Company's facilities. In the manufacturing segment, until closed at the end of 2011, the Company generally held an inventory of products which the Company believed to be sufficient to meet market requirements for a period of up to 20 days. The Company does not regularly maintain a significant backlog of orders from customers; orders received by customers are generally filled within one week. The Company's inventory as of December 31, 2011 amounted to NIS 32.6 million (USD 8.53 million) compared with NIS 37.6 million (USD 9.8 million) as of December 31, 2010. Inventory numbers as of December 31, 2010 include Shamir's inventory.

The Company also participates in various sales campaigns within the supermarket chains that are intended to stimulate sales volume. Among such campaigns are food festivals initiated by the supermarket chains and certain importers, including the Company, in which the import and marketing of products from a specific country or region are celebrated and promoted. Such festivals typically involve increased display space as well as enhanced promotional activities, both with respect to the festival itself and the products. Such activities are sponsored by the supermarkets in collaboration with the importers participating in the festival. Within the framework of these festivals, the Company imports a wide variety of products which include pastries, vegetables, jams, cheese, fish, and dairy products, as well as certain articles typical to the culture and/or cuisine of each specific festival.

The Company maintains close contact with its consumer markets in an effort to be attentive to market needs, market trends, demand for certain products and their value to the market. The Company also regularly gathers information on new products manufactured world-wide, including by attending food exhibitions and maintaining close relations with manufacturers and suppliers world-wide.

The Company is responsible for the products it markets in Israel under the Israeli Law of Defective Products, 1980, and it has also purchased an insurance policy for product liability.

Seasonality

Each year as the Passover and Rosh Hashana festivals approach, the Company usually increases its inventories in order to provide a fast response to the market's demand. Usually there is an increase in the Company's sales prior to

the Rosh Hashanah holiday (celebrated in September-October) and the Pesach (Passover) holiday (celebrated in March-April). Despite the impact of the holiday season on the Company's activities, the Company's quarterly sales are not materially affected as a result of these holiday seasons.

Competition

The food distribution business in Israel is highly competitive with respect to imported, as well as locally manufactured, food products. The Company believes that it presently faces direct competition from both local manufacturers, as well as from a number of importers of food products. The food market in Israel is very price sensitive.

For each of the categories of products distributed by the Company, there exists competition by dozens of local manufacturers as well as from other importers. The barriers to entry in the food market are low, and new potential competitors are constantly joining the market. The Company believes that it may also face competition from potential new-comers to the food business, as well as from existing importers and/or manufacturers currently not involved in the same lines of products as the Company.

For example, certain of the products imported by the Company such as canned fish, corn flakes, edible oils, certain pickles, olives, pasta, cereal, sweet pastry and crackers and certain dairy products are also produced by local manufacturers in Israel. Local producers are not subject to the financial risks of importing food products or to governmental policies regarding taxation of imported food products to which the Company is subject.

To the Company's knowledge, several of its competitors (Shemen, Tet-Bet and Solbar with respect to edible oils, Fodor (Starkist and Yona), Posidon and Williger of the Neto Group, Filtuna, the new Vita Pri HaGalil and Shastowits with respect to fish products, the new Vita Pri HaGalil, Yachin-Zan laKol, Williger of the Neto Group, Alaska and Johnson with respect to canned vegetable and canned fruit products, Osem, Barila, the new Vita Pri HaGalil, Williger of the Neto Group and Tomer with respect to pasta products, Tnuva, Tara, Strauss, Seyman, Gad Dairy and Meshek Zuriel with respect to dairy and dairy substitute products, Strauss, Osem, Miki Delicatessen, Mashani and Yad-Hamelech salads with respect to chilled salads, for example) are substantially more established, have greater market recognition and have greater financial, marketing, human and other resources than those of the Company. If any of the Company’s major competitors materially reduces prices, the Company would experience significantly more competitive pressure and a decrease in profitability. The Company cannot predict whether it could successfully compete with these pressures and, if it were unable to do so, the Company’s business would be adversely impacted.

The Company's management does not have precise information regarding the extent of the import of food products to Israel. However, it believes it is currently one of the leading companies in Israel in its line of products.

The Company endeavors to compete by reacting to the availability of products, their prices, offers for performing transactions and business opportunities while diversifying sources of supply as well as following the selling prices of competing products and setting product prices according to changing market conditions.

Intellectual Property Rights

The Company markets certain products under the trademark “Willi-Food,” which was approved for registration in Israel in May 1997 for certain uses relating to the food industry. In 2001, the trademark's validity was extended for an additional fourteen years (until 2015). The Company markets certain products under the trademark “Gold-Frost,” which was registered in Israel in February 2002.

The Company also markets cheeses and cheese substitute for pizza under the trademark "Pizza Top" which was registered in Israel in September 2002. On February 16, 2006, the Company entered into an agreement with Gold Frost under which the Company assigned to Gold Frost all its rights, title and interest in and to the trademark "Pizza Top".

The Company also markets certain products under the trademark "Gold Food", which was registered in Israel in November 2002 for different uses in the food industry.

The Company also markets, breakfast cereals under the trademark "Bubles," which was registered in Israel in December 2006, markets snacks under the trademark "Krisponim," which was registered in Israel in January 2007, markets edamame soybeans under the trademark "Manchow," which was registered in Israel in June 2007, and markets the trademark "Habulgaria," which was registered in Israel in February 2009.

The Company also markets sardines under the trademark "Selective", which was registered in Israel in February 2009 for different uses in the food industry.

The Company also markets line of products with kosher supervision of Badatz Edah HaChareidis under the trademark "Tifeeret", which was registered in Israel in September 2010 for different uses in the food industry.

The Company also markets pasta and sauces under the trademark "Donna Rozza," which was registered in Israel in August 2005 for different uses in the food industry.

Other products marketed by the Company under their original brand name are “Completa”, "Raskas", " Danesita ", "Nobeleza Gaucha", "Hazer Baba", "Sera", "Daawat", "Zanetti", "Ferro", "Hahne", "Arla" and "Lurpak". The Company imports several products for the Shufersal chain under the brand name “Shufersal”. The Company also imports several products for the Co-Op Israel chain under the brand name “Kochav Habait”, and for Mega retail chain under the brand "Mega".

There can be no assurances as to the degree of protection registration of the Company’s trademarks will afford.

The Company also owns five trademarks which are not currently used.

The Company's investment in registering these trademarks was insignificant.

Government Regulation

The import, export, storage, distribution, manufacturing, marketing and labeling of food products is subject to extensive regulation and licensing by various Israeli government and municipal agencies, principally the Ministry of Health, the Ministry of Finance and the Ministry of Trade and Industry. We are required to maintain our distribution processes, as well as the products imported and manufactured by us, in conformity with all applicable laws and regulations. Failure to comply with these applicable laws and regulations could subject us to civil sanctions, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on us. We believe that we comply in all material respects with the above-mentioned requirements. To the extent that the Company has imported, or will import, food products outside of Israel, we may be subject to quotas and other import laws and regulations which may limit our ability to sell certain of our food products into these countries.

In 1978, the Israeli government issued the free import decree, which exempts the import of most food products from the requirement to acquire a license. However, preliminary permits from the Ministry of Health or the Ministry of Agriculture are still required. These preliminary permits are granted based on laboratory analysis reports and other data.

Customs duties and charges are levied on a portion of the Company's products. Israeli government policy in favor of exposing the local market to certain imported products has directly impacted the Company's operations since September 1991, when certain customs duties levied by category, formerly levied on products, including those imported by the Company, were canceled.

The Company is required to obtain import licenses for the import of certain food products from the Ministry of Trade and Industry of the State of Israel. The Company has obtained the necessary import licenses for the products imported by it as required by the import authorities. The Company has also obtained the necessary authorization required by the Ministry of Health (Food Authority) for the import of all of its food products to Israel. The Company's products are packaged by various manufacturers and suppliers abroad and labeled in Hebrew, English and, in certain cases, Arabic and Russian, according to the Company's instructions and the requirements of the Israeli authorities. Since the beginning of the Company's activities, the Company has been found to have mislabeled packages four times, as a result of which the Company was required to pay an immaterial amount of fines.

On June 2011 a national protest was initiated against the rise of prices of dairy products in Israel. This protest stirred the dairy market in Israel and made its way all the way to the government, which formed a committee to discuss the issue of non-competition in the Israeli dairy market. Accusations were made between those dairy product manufacturers and the supermarket chains regarding the responsibility for the rise, but eventually prices of dairy products were lowered down. On July 2011 the movement has evolved from the dairy products protest to a tent city in Tel-Aviv protesting the cost of housing; to a broad populist movement which protest against the high cost of living in Israel. As a result of a mass demonstration held at the beginning of August 2011 gathering 300,000 demonstrators, or 4% of the entire Israeli population, the Israeli government has announced the creation of a new committee of experts and ministers leaded by Prof. Trajtenberg, former national economic adviser, to study the protesters' demands and to formulate a wide-ranging plan to deal with the burden on the middle class. On late September 2011 Trajtenberg committee submitted it recommendations on socioeconomic change and the Israeli cabinet approved them on the end of October 2011. Part of the committee's recommendations was to lower certain customs duties on imported food products. As result of that, the Company and its subsidiaries received in late 2011, permits to import various hard chesses with reduced customs duty.

Most of the products which the Company imports and markets in the import segment are approved as Kosher by and/or under the supervision of various supervisory institutions including, the Chief Rabbinate of Israel, Chug Chatam Sofer, Badatz Edeh HaChareidis, certain Jewish organizations administering Kashrut procedures and certifications (such as the Union of the Orthodox Jewish Congregation of America (OU), Badatz Igud Harabanim Manchester, OK, Circle K, Triangle K, etc.) and rabbis of local Jewish congregations abroad. Such procedures include, in certain cases, personal supervision by a Kashrut supervisor sent by such institutions to the manufacturing facilities from which the Company purchases products, who is present at the plant during the processing of the product. Under Israeli law, the Company is required to ascertain that the kosher foodstuffs which it offers for sale bear kosher certification approved by certain authorities, such as the Chief Rabbinate of Israel, and also bear the name of the individual authorized to certify such product. Not all products marketed by the Company have been so certified, although they do bear certain kosher certification from other certification bodies. The expenses for obtaining the Kashrut approval are relatively low.

Most of the products which the Company manufactured (until the closing of the manufacturing segment at the end of 2011) are approved as Kosher by and/or under the supervision of Badatz Edeh HaCharedis (except for "Kosher to Passover" products) and the Chief Rabbinate of Israel.

C. ORGANIZATIONAL STRUCTURE

The Company's principal shareholder, Willi-Food, as of April 1, 2012, held approximately 56.31% of the Company's outstanding share capital. The primary assets of Willi-Food are the Company's ordinary shares. Willi-Food was established on November 27, 1992 and its securities have been traded on the Tel Aviv Stock Exchange since January 1993.

The Company, as of April 29, 2012, had seven active subsidiaries and one non-active subsidiary:

Subsidiary	Jurisdiction of Organization	Company's Ownership Interest
W.F.D. (import, marketing and trading) Ltd. ("W.F.D")	Israel	100%
Gold Frost Ltd.	Israel	100%
Gold Frost subsidiaries:		
Willi-Food Quality Cheeses Ltd.	Israel	100%
Gold Frost Cheeses World Ltd.	Israel	100%
Gold Cheeses Ltd.	Israel	100%
Cheeses Farm Ltd.	Israel	100%
Willi-Frost Ltd.	Israel	100%
WF Kosher Food Distributors Ltd. ("WF") – Non-Active	USA	100%

The offices of Gold Frost, W.F.D, Willi-Food Quality Cheeses, Gold Frost Cheeses World, Gold Cheeses, Cheeses Farm and Willi-Frost - our wholly owned subsidiary, are located in Yavne, Israel, at the offices of the Company.

Gold Frost

In May 2001, the Company acquired all the shares of Gold Frost in consideration for NIS 336 thousand (USD 89 thousand). Gold Frost, which was registered in 1977 in Israel, is engaged in designing, developing and distributing frozen and chilled food products. The Company purchased Gold Frost in order to take advantage of Gold Frost's know-how in importing frozen and chilled products as well as of its well known brand name in the Israeli market. Gold Frost distributes over 100 products, usually packed for private consumers (in cans, jars, containers and plastic sealed and vacuumed packages), but also for institutional consumers and labeled in Hebrew, English, and in certain cases, Arabic and Russian. Gold Frost markets certain products under the trademarks "Gold Frost" and "Willi-Food" which are registered in Israel. Gold Frost is working towards broadening the variety of products that it develops and distributes. The mission of Gold Frost is to develop low fat, low cholesterol dairy chilled and frozen products aimed at the kosher and health conscious consumer market.

On March 9, 2006, Gold Frost completed an initial issuance to the public on the London AIM market which yielded gross proceeds of NIS 36.5 million (USD 9.7 million). Following this issuance, as of May 30, 2006, the Company held approximately 75.7% of Gold Frost's outstanding share capital. During November 2007- January 2008, the Company purchased on the AIM market an additional approximately 14.3% of Gold Frost's outstanding share capital, reaching an aggregate holdings of up to 90% of Gold Frost's share capital.

On May 20, 2008, a Special General Meeting of Gold Frost approved the cancellation of its ordinary share listing to the AIM Market of the London Stock Exchange. The cancellation of Gold Frost's AIM admission took place on May 27, 2008. On July 27, 2009, the Company announced that it had successfully completed a tender offer for all of the issued and outstanding share capital of Gold Frost which were not already held by the Company. The Company paid an aggregate amount of approximately £370,430 for all such shares and depositary interests.

On February 28, 2006, a relationship agreement between Gold Frost, the Company and others was signed, defining the relationship between the two companies.

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W.F.D.

Since November 1995, the Company incorporated a wholly-owned subsidiary, W.F.D. The Company occasionally imports certain products through this subsidiary, which then sells these products to the Company. W.F.D. has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them. W.F.D. had no sales for each of the last two years.

Willi-Food Quality Cheeses

In September 2011, Gold Frost established Willi-Food Quality Cheeses. Gold Frost occasionally imports certain products through this subsidiary, which then sells these products to the Company. Willi-Food Quality Cheeses has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them.

Gold Frost Cheeses World

In September 2011, Gold Frost established Willi-Food Quality Cheeses. Gold Frost occasionally imports certain products through this subsidiary, which then sells these products to the Company. Willi-Food Quality Cheeses has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them.

Gold Cheeses

In September 2011, Gold Frost established Gold Cheeses. Gold Frost occasionally imports certain products through this subsidiary, which then sells these products to the Company. Gold Cheeses has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them.

Cheeses Farm

In September 2011, Gold Frost established Cheeses Farm. Gold Frost occasionally imports certain products through this subsidiary, which then sells these products to the Company. Cheeses Farm has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them.

Willi-Frost

In September 2011, Gold Frost had established Willi-Frost. Gold Frost occasionally imports certain products through this subsidiary, which then sells these products to the Company. Willi-Frost has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them.

Former Subsidiaries

In January 2008, the Company purchased 51% of the interests of Shamir, an Israeli manufacturer and distributor of pre-packaged chilled kosher Mediterranean dips and spreads in Israel and abroad. Subsequently, on December 2011, the Company sold its entire ownership interest in Shamir to other shareholders of Shamir.

For more information see "Item 4. Information on the Company – 4A. History and Development of the Company" and "Item 10. Additional Information – 10C. Material Contracts."

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D. PROPERTY, PLANTS AND EQUIPMENT

The Company's principal executive offices are situated at a logistics center in the northern industrial zone of Yavne, at 4 Nahal Harif St., Israel, 35 km south of Tel-Aviv. The Company purchased the land on which its current logistics center is located from Titanic Food Ltd. ("Titanic"), a private Israeli company controlled by Messrs. Joseph Williger, the Company's President and a director, and Zwi Williger, the Company's Chairman of the Board, at the same price that it was purchased by Titanic, in August 2005. The logistics center is 8,600 square meters (approximately 77,400 square feet) and is located on a plot of 19,000 square meters (approximately 171,000 square feet). The current logistics center replaced the Company's previous logistics center, located nearby, which the Company leased from Titanic. The new logistics center was financed mainly by the funds that were raised in the private placement in October 2006. From the transition to its current logistics center, until the end of 2011, the Company's usage of storage services in free warehouses has been insignificant.

Before the transition to the current logistics center, the Company also utilized free warehouses services, mainly in the area of the Ashdod seaport. The Company was charged only for storage per container (i.e., there is no charge for rental while the Company does not use the free warehouse services). The Company's expenses for usage of free warehouses services in the years 2011 and 2010 – NIS 273 thousand (USD 71 thousand) for the year ended December 31, 2011 and NIS 805 thousand (USD 211 thousand) for the year ended December 31, 2010. The expenses of these services for the year ended December 31, 2009 were NIS 133 thousand (USD 35 thousand)

As of December 31, 2011, the Company owned 11 refrigeration trucks (each with a capacity of 7.5 to 12 tons), eight regular trucks (each with a capacity of 15 to 27 tons) and six combined trucks (each with capacity of 15 to 18 tons). Pursuant to the Transfer Agreement with Gold Frost, ten trucks and one private car were sold as of January 1, 2006 from the Company to Gold Frost. The above mentioned transfer was implemented in order to allow Gold Frost to market its products on its own accord.

Since January 22, 2008, the Company has been operating the Yavne facility under a municipal business license as required under Israeli applicable law. The license has been granted permanently.

The total investment in the new logistics center (including the land which the Company purchased from Titanic) until December 31, 2011 amounted to NIS 44,672 thousand (USD 11,722 thousand).

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Company and the related Notes thereto submitted in this Annual Report. The Company's financial statements as of December 31, 2011 and for the year then ended have been prepared in accordance with IFRS and interpretations issued by the IASB, which differ in certain respects from U.S. Generally Accepted Accounting Principles or U.S. GAAP. In accordance with the instructions of the Israeli Accounting Standard No. 29, "Adoption of International Financial Reporting Standards (IFRS)", which was published in July 2006, we adopted IFRS as issued by the IASB, with effect from January 1, 2008, based upon the guidance in IFRS 1, "First-time adoption of IFRSs", and have prepared our financial statements according to IFRS. Following our adoption of IFRS, as issued by the IASB, we are no longer required to reconcile our financial statements prepared in accordance with IFRS to U.S. GAAP.

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The Company is engaged, directly and through its subsidiaries, in the design, import, marketing and distribution of a broad range of food products purchased from over 150 suppliers worldwide and marketed throughout Israel and abroad. The products imported by the Company are marketed in Israel and sold to over 1,500 customers, including supermarket chains, mini-markets, wholesalers, manufacturers and institutional consumers. The Company also sells its products outside Israel to a variety of customers world-wide.

The Company was incorporated in Israel in January 1994 and commenced operations in February 1994.

Since mid 2009, the Israeli market began to recover from the global economic recession that took place at the end of 2008 and in the beginning of 2009. Since then, there have been signs of improvement in some economic indicators (for example – raw commodity, consumption per person, commodity per person, etc.). It was mentioned before about the national protest that was initiated in mid 2011 against the rise of prices of food products in Israel as well as continued recession and economic uncertainty. The outcome of this protest had resulted in decreased sales and profit in 2011 fourth quarter.

The Company believes that it successfully coped with the global economic recession and the changes in the economic environment that affected the Company's local market as well as its customers. The Company also believes that the measures that it took - including expanding its product lineup, introducing new products, and increasing sales of higher margin products and adjusting the sale prices of its products to consumers in accordance with product prices of the Company's suppliers, was positioning the Company for future growth. However, the national protest against increase of food product prices caused a decrease in our sales in second half of 2011, and consequently a decrease in our profitability during this period. A continuing protest against the prices of food products beyond the first half of 2012, could affect the Company's sales and profit margins in 2012. The Company remains focused on maximizing long-term profitability and the Company believes that it will continue to benefit from a multi-channel approach and broad kosher product base that addresses a trend toward more health-conscious food choices. The Company will continue to focus on controlling expenses and import costs to keep its prices competitive.

The U.S. remains a strategic region of interest for the Company. The Company's strategy is to leverage its global supplier relationships and expertise in product development and to capitalize on the growing demand for innovative kosher products for both kosher and health minded consumers in the U.S. The Company believes that the health benefits of eliminating animal fats in the ‘kosherizing’ process in its dairy products makes its products attractive to consumers looking for better tasting, low-cholesterol and low-fat alternatives.

For convenience purposes, the financial data for the years ended December 31, 2011, 2010 and 2009 has been translated into U.S. Dollars using the representative exchange rate. This rate as of December 31, 2011 was NIS 3.821 = USD 1.00.

The Company is not involved in any off balance sheet transactions or long-term contractual obligations.

Critical Accounting Policies

Management’s discussion and analysis is based upon the consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB for all reporting periods presented. The use of IFRS Standards requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting accounting periods presented. These estimates include, among other things, assessing the collectability of accounts receivable and the use of recoverability of inventory. Actual results could differ from those estimates. The markets of the Company’s products are characterized by intense competition and a rapid turnover of products and frequent introductions of new products, all of which may impact future ability to

value the Company's assets.

The following critical accounting policies may affect significant judgments and estimates used in the preparation of the consolidated financial statements.

1. Revenue Recognition – Revenue is measured at the fair value of the consideration received or receivable. Management estimates are required to determine the amounts to be reduced for estimated customer returns, rebates and other credits.

Allowance for customer returns -
In determining the accrual for customer returns, Management considers past experience for the each specific type of the products as well as the Company's ability to utilise the product returned.

Allowance for Rebates and other credits -
Allowance for rebates is determined based on expected level of revenues volumes applied to the rebate percentage agreed with the customer. Other credits relate primarily to disagreements with customers over prices and quantities. The determination of the allowance for other credits is highly subjective and management can exercise great deal of discretion over this determination. For our primary customers, allowance for other credits is determined based on past experience of collecting such differences, the aging of the balance and the Company's familiarity of the customer. Changes in these assumptions could affect our future results of operations.

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

We value our inventories at the lower of cost and net realizable value.

Cost is determined as follows:

Raw material, components and packaging	-	by the "first-in, first-out" method
Processing goods	-	cost of materials plus labor
Finished products	-	on the basis of standard cost which approximates actual production cost (materials, labor and indirect manufacturing costs)
Products	-	weighted average method

The Company's management is required to make certain judgments and estimates that may significantly impact the ending inventory valuation at cost as well as the amount of gross profit recognized. Judgments made include recording markdowns used to sell through inventory and shrinkage. When management determines the salability of inventory has decreased, markdowns for clearance activity and the related cost impact are recorded at the time the price change decision is made. Factors considered in the determination of markdowns include current and anticipated demand, customer preferences and age of merchandise.

3. Useful lives of property, plant and equipment - the management of the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period in order to determine the amount of depreciation expense to be recorded. The useful life of an asset is estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the asset. Changes in industry conditions may cause the estimated period of use or the value of these assets to change. We perform periodic reviews to confirm the appropriateness of estimated economic useful lives for each class of fixed assets. These factors could cause management to conclude that impairment indicators exist and require that impairment tests be performed, which could result in management determining that the value of long-lived assets is impaired, resulting in a write-down of the long-lived assets. For the two years ended December 31, 2011, no changes in assets useful lives were recorded.

4. Impairment of goodwill - Goodwill is not amortized, but is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of the goodwill may be impaired. This evaluation requires management to make judgments relating to future cash flows, growth rates, and economic and market conditions. These evaluations are based on determining the fair value of a cash generating unit using a valuation method discounted cash flow or a relative. During December 2011 the Company sold its holdings in Shamir. The balance of goodwill in the reports reflects the marketing activity of chilled and frozen products (Gold Frost). The Company assessed the recoverability of goodwill and determined that there was no need for impairment of goodwill associated with any of the marketing activity of chilled and frozen products (Gold Frost). During 2009 and 2010 management of the Company assessed the recoverability of goodwill and determined that there was no need for impairment of goodwill associated with any of the Company's cash-generating units. During 2008 and 2007, management of the Company assessed the recoverability of goodwill and determined that goodwill associated with the Company's overseas marketing of refrigerated products activity (Kirkeby) and with the Company's export activity (WF) was not recoverable and was written off in the amount of NIS 1,067 thousand (USD 279 thousand) and NIS 3,054 thousand (USD 799 thousand), respectively. The primary factor leading to the decisions that goodwill was not recoverable in both subsidiaries was the substantial adverse difference between management's expectations regarding results of operation as predicted at the purchase deliberations and the actual amounts. The operations of both entities were eventually discontinued as part of the discontinuation of the export segment.

5. Deferred taxes- Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. We recognize a deferred tax asset in our balance sheet only where we determine that it is probable that it will be recovered. A portion of the deferred tax asset recorded in our balance sheet relates to current or prior period tax losses where management considers that it is more likely than not that we will recover the benefit of those tax losses in future periods through the generation of sufficient future taxable profits. Our assumptions in relation to the generation of sufficient future taxable profits depend on our estimates of future taxable profits from the Company's regular course of business. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter the projections, which may impact the recoverability of the deferred tax asset recorded in our balance sheet and those tax losses currently provided as not recoverable. In such circumstances, some or all of the carrying value of the deferred tax asset may require provisioning, and we would charge the expense to the profit and loss account, and conversely, some or all of the amounts provided as not recoverable may be reversed and we would credit the benefit to the profit and loss account.

6. Severance pay- The current value of the Company's obligation in respect of severance pay is based on actuarial assumptions, including discount rate (which is based on the discount rate of government bonds) market conditions, .etc. The actuarial assumptions are based on the information provided by the management of the Company regarding expected rate of termination, employee's insurance policies payments and probability for compensation payments. Any change of the assumptions given by the management of the Company may change the book value of the Company's obligation in respect of severance pay and could affect our future results of operations.

A. RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, the correlation (in percentages) between items from the Company's statements of operations to its total sales for such periods:

	Year Ended December 31, 2011		Year Ended December 31, 2010		Year Ended December 31, 2009	
Revenues	100	%	100	%	100	%
Cost of Sales	76.66	%	71.90	%	71.76	%
Gross Profit	23.34	%	28.10	%	28.24	%
Selling Expenses	10.39	%	11.46	%	9.81	%
General and Administrative Expenses	6.57	%	6.57	%	6.90	%
Other (Income) expense	(0.09	)%	(0.04	)%	(2.32	)%
Operating profit	6.46	%	10.10	%	13.84	%
Financial Income (expenses), Net	0.44	%	1.79	%	1.010	%
Profit before taxes on income	6.90	%	11.89	%	14.85	%
Taxes on income	1.48	%	2.58	%	2.12	%
Profit from continuing operations	5.43	%	9.32	%	12.74	%
Profit (loss) from discontinued operations	1.58	%	1.81	%	0.96	%
Profit for the year	7.00	%	11.13	%	13.70	%
Attributable to:						
Owners of the Company	6.93	%	10.40	%	13.23	%
Non-controlling interest	0.08	%	0.73	%	0.47	%
Net Income	7.01	%	11.13	%	13.70	%

Year Ended December 31, 2011 Compared With Year Ended December 31, 2010

Revenues. Revenues for fiscal 2011 decreased by NIS 6,739 thousand (USD 1,763 thousand), or 2.5%, to NIS 264,404 thousand (USD 69,198 thousand) from NIS 271,143 thousand (USD 70,961 thousand) recorded in fiscal 2010.

The decrease in revenues in fiscal 2011 compared to fiscal 2010 was primarily due to the decrease in revenues by 16.8% in the fourth quarter of fiscal 2011 compared to revenues in the fourth quarter of fiscal 2010, as a result of the national protest against the high cost of living as well as continued decreased economic activity and economic uncertainty that caused the Israeli consumer to reduce its consumption and to demand to lower the food product prices.

Cost of Sales. Cost of sales for fiscal 2011 increased 4.0% to NIS 202,699 thousand (USD 53,049 thousand), or 76.66% of revenues, from NIS 194,957 thousand (USD 51,022 thousand), or 71.90% of revenues recorded in fiscal 2010.

Although the Company is working to mitigate the effects of worldwide inflation in agricultural commodities and dairy products by working closely with suppliers to anticipate adverse price trends, building inventory and increasing prices to its customers, the local market did not accept all the price increases, and in particularl during the second half of 2011 at the time of the national protest against the high cost of living when the Company's customers did not accept any price increases, causing the increase in the percentage of the costs from the revenues.

Gross Profit. Gross profit for fiscal 2011 decreased 19.0% to NIS 61,705 thousand (USD 16,149 thousand), or 23.34% of revenues, from NIS 76,186 thousand (USD 19,939 thousand), or 28.10% of revenues recorded in fiscal year 2010.

The decrease in gross profit and gross margins in fiscal 2011 compared to fiscal 2010 was primarily due to reductions in the prices of certain of our products as a result of continued pressure from our customers to reduce prices, from an increase in global prices of food products compounded by the recent strengthening of the U.S. dollar versus the NIS (which depreciated 11.2% in the second half of 2011) and from the general effects of the global economic recession. This decrease reflects both sides of the summer 2011 social protest that reduced sales and prevented the company from rising prices.

Selling Expenses. Selling expenses for fiscal 2011 decreased 11.6% to NIS 27,482 thousand (USD 7,192 thousand), or 10.39% of revenues, from NIS 31,077 thousand (USD 8,133 thousand), or 11.46% of revenues recorded in fiscal 2010.

The decrease in selling expenses was primarily due to a decrease of NIS 2,556 thousand (USD 669 thousand) in advertising and promotion expenses in fiscal 2011 to NIS 3,774 thousand (USD 988 thousand) from NIS 6,330 thousand (USD 1,657 thousand) recorded in fiscal 2010, mostly because of a one-time national media campaign that took place on 2010 and the decision of the Company to reduce advertising activity during the national protest in 2011, and streamlining processes in the Company's operations department, which caused a decrease in maintenance (mainly vehicle maintenance) of NIS 733 (USD 262 thousand) to NIS 5,032 thousand (USD 1,317 thousand) recorded in fiscal 2011 from NIS 5,765 thousand (USD 1,509 thousand) recorded in fiscal 2010.

General and Administrative Expenses. General and administrative expenses for fiscal 2011 decreased 2.5% to NIS 17,375 thousand (USD 4,547 thousand), or 6.57% of revenues, from NIS 17,818 thousand (USD 4,663 thousand), or 6.57% of revenues recorded in fiscal 2010.

The decrease in general and administrative expenses was mainly attributed to a decrease of NIS 1,710 thousand (USD 448 thousand) in management profit-related bonuses expenses in fiscal 2011 to NIS 2,500 thousand (USD 654 thousand) recorded in fiscal 2011 from NIS 4,211 thousand (USD 1,102 thousand) recorded in fiscal 2010, offset by an increase of NIS 603 thousand (USD 158 thousand) in legal expenses in fiscal 2011 mainly due to the Shamir arbitration – expenses of NIS 3,303 thousand (USD 864 thousand) recorded in fiscal 2011 compared to expenses of NIS 2,700 thousand (USD 707 thousand) recorded in fiscal 2010.

Other Income. Other income for fiscal 2011 amounted to NIS 240 thousand (USD 63 thousand), compared to NIS 96 thousand (USD 25 thousand) recorded in fiscal 2010.

Other income for the both fiscal 2011 and fiscal 2010 mainly comprised of capital gains on sales of fixed assets such as used vehicles and trucks.

Operating Profit. Operating profit for fiscal 2011 decreased by NIS 10,299 thousand (USD 2,695 thousand), or by 37.6%, to NIS 17,088 thousand (USD 4,472 thousand), or 6.46% of revenues, from NIS 27,387 thousand (USD 7,167 thousand), or 10.10% of revenues recorded in fiscal 2010.

Financing Income (Expenses), Net. Financing income, net, for fiscal 2011 decreased by 76.0% to NIS 1,167 thousand (USD 305 thousand) compared to NIS 4,865 thousand (USD 1,276 thousand), recorded in fiscal 2010.

Financing income for fiscal 2011 primarily included a loss from marketable securities of NIS 4,034 thousand (USD 1,056 thousand) compared to gains from marketable securities of NIS 3,300 thousand (USD 864 thousand) recorded in fiscal 2010, foreign currency differences of NIS 1,661 thousand (USD 435 thousand) in fiscal 2011 compared to NIS 299 thousand (USD 78 thousand) recorded in fiscal 2010, and changes in value of debentures held for trading of NIS 1,933 thousand (USD 506 thousand) recorded in fiscal 2011 compared to NIS 402 thousand (USD 105 thousand) recorded in fiscal 2010.

Financing expenses for fiscal 2011 primarily included gains from foreign currency differences of NIS 90 thousand (USD 24 thousand) compared to loss from foreign currency differences of NIS 98 thousand (USD 26 thousand) recorded in fiscal 2010, also realized gain on derivatives of NIS 44 thousand (USD 11.5 thousand) recorded in fiscal 2011 compared to expenses from realized loss on derivatives of NIS 44 thousand (USD 11.5 thousand) recorded in fiscal 2010.

Profit before taxes on income. Profit before taxes on income for fiscal 2011 decreased by NIS 13,997 thousand (USD 3,663 thousand), or by 43.4%, to NIS 18,255 thousand (USD 4,778 thousand) from NIS 32,252 thousand (USD 8,441 thousand) recorded in fiscal 2010.

Taxes on Income. Taxes on income for fiscal 2011 decreased by 44.1% to NIS 3,906 thousand (USD 1,022 thousand) from NIS 6,995 thousand (USD 1,831 thousand recorded in fiscal 2010.

The decrease in taxes on income in fiscal 2011 compared to fiscal 2010 was attributable to a decrease in income before taxes and to a decrease in Israeli corporate tax from 25% in fiscal 2010 to 24% in fiscal 2011. The tax on the capital gain resulted from the sale of the Company's holding in Shamir in December 2011 is included in the Profit from discontinued operations for fiscal 2011.

Profit from continuing operations. Profit from continuing operations for fiscal 2011 decreased by NIS 10,908 thousand (USD 2,855 thousand), or 43.2%, to NIS 14,349 thousand (USD 3,755 thousand), or 5.43% of revenues, from NIS 25,257 thousand (USD 6,610 thousand), or 9.32% of revenues, recorded in fiscal 2010.

Profit from discontinued operations. Profit from discontinued operations for fiscal 2011 was NIS 4,172 thousand (USD 1,092 thousand), compared to NIS 4,900 thousand (USD 1,282 thousand) recorded in fiscal 2010.

The profit from discontinued operations in fiscal 2011 included the profit of the manufacturing segment (Shamir) in fiscal 2011 in the amount of NIS 293 thousand (USD 77 thousand) and the net capital gain resulting from the sale of the Company's holdings in Shamir in the amount of NIS 3,879 thousand (USD 1,015 thousand). This net capital gain consisted of NIS 13,500 thousand (USD 3,533 thousand) - the amount that was paid for the Company's holdings in Shamir - less the book value of the Company's holding in Shamir at the amount of NIS 7,809 thousand (USD 2,044 thousand) that included NIS 1,900 thousand (USD 497 thousand) of goodwill that was recognized in the PPA, less capital gains tax in the amount of NIS 1,811 thousand (USD 474 thousand). The profit from discontinued operations

in fiscal 2010 included a profit of NIS 830 thousand (USD 217 thousand) from the Company's export segment that was comprised of Baron, Kirkby and WF (Laish) and a profit of NIS 4,070 thousand (USD 1,065 thousand) from the Company's manufacturing segment that was comprised of Shamir.

Profit for the year. Profit for fiscal 2011 decreased by 38.6% or NIS 11,636 thousand (USD 3,045 thousand), to NIS 18,521 thousand (USD 4,847 thousand), or 7.00% of revenues, from NIS 30,157 thousand (USD 7,892 thousand), or 11.12% of revenues, recorded in fiscal 2010.

Net income attributable to the owners of the Company. Net income attributable to the owners of the Company for fiscal 2011 decreased by 35.0%, or NIS 9,866 thousand (USD 2,582 thousand), to NIS 18,311 thousand (USD 4,792 thousand), or NIS 1.35 (USD 0.35) per share, compared to NIS 28,177 thousand (USD 7,374 thousand), or NIS 2.18 (USD 0.57) per share recorded in fiscal 2010.

Year Ended December 31, 2010 Compared With Year Ended December 31, 2009

Revenues. Revenues for fiscal 2010 increased by NIS 41,009 thousand (USD 10,733 thousand), or 17.82%, to NIS 271,143 thousand (USD 70,961 thousand) from NIS 230,134 thousand (USD 60,229 thousand) recorded in fiscal 2009.

The growth in revenues in fiscal 2010 compared to the revenues in fiscal 2009 was primarily due to the introduction of new products and the impact of a national media campaign that increased awareness of the Willi-Food brand throughout Israel, combined with additional promotional activities.

Cost of Sales. Cost of sales for fiscal 2010 increased to NIS 194,957 thousand (USD 51,023 thousand), or 71.9% of revenues, from NIS 165,134 thousand (USD 43,217 thousand), or 71.76% of revenues recorded in fiscal 2009.

Throughout 2010, the Company introduced a large number of higher profit margin food products, which it had developed together with its suppliers, which boosted sales and reduced the cost of sales margins.

Gross Profit. Gross profit for fiscal 2010 increased to NIS 76,186 thousand (USD 19,939 thousand), or 28.10% of revenues, compared to a gross profit of NIS 65,000 thousand (USD 17,011 thousand), or 28.24% of revenues recorded in fiscal 2009.

Selling Expenses. Selling expenses for fiscal 2010 increased to NIS 31,077 thousand (USD 8,133 thousand), or 11.46% of revenues, from NIS 22,586 thousand (USD 5,911 thousand), or 9.81% of revenues recorded in fiscal 2009.

The increase in selling expenses was primarily due to an increase in advertising and promotion expenses in the amount of NIS 3,210 thousand (USD 840 thousand) from NIS 3,120 thousand (USD 817 thousand) recorded in fiscal 2009 to NIS 6,330 thousand (USD 1,657 thousand) recorded in fiscal 2010, an increase in transportation of goods to customers expenses in the amount of NIS 2,932 (USD 767 thousand) from NIS 8,466 thousand (USD 2,216 thousand) recorded in fiscal 2009 to NIS 11,398 thousand (USD 2,983 thousand) recorded in fiscal 2010 and an increase in salaries in the amount of NIS 1,236 thousand (USD 323 thousand) from NIS 9,435 thousand (USD 2,469 thousand) recorded in fiscal 2009 to NIS 10,671 thousand (USD 2,793 thousand) recorded in fiscal 2010. Those changes in the expenses were in the normal course of business of the Company. Most of the increase in the expense items resulted from an incremental increase in sales and profits. For example, advertising and promotion expense increased by NIS 3,210 thousand (USD 840 thousand) from fiscal 2009 to fiscal 2010 as a result of a national media campaign that took place at the beginning of fiscal 2010 and was one of the significant causes for the increased revenues in fiscal 2010.

General and Administrative Expenses. General and administrative expenses for fiscal 2010 increased to NIS 17,818 thousand (USD 4,663 thousand), or 6.57% of revenues, from NIS 15,887 thousand (USD 4,158 thousand), or 6.92% of revenues, recorded in fiscal 2009.

The increase in general and administrative expenses in fiscal 2010 was attributed mainly to an increase in salaries expenses consisting of an increase in profit-related bonuses in the amount of NIS 1,870 thousand (USD 490 thousand) from NIS 10,060 thousand (USD 2,633 thousand) recorded in fiscal 2009 to NIS 11,930 thousand (USD 3,122 thousand) recorded in fiscal 2010.

Other Income. Other income for fiscal 2010 amounted to NIS 96 thousand (USD 25 thousand), compared to other income of NIS 5,330 thousand (USD 1,395 thousand) recorded in fiscal 2009.

Other income for fiscal 2009 was comprised mainly of a capital gain on the purchase of additional shares of Gold Frost in the amount of NIS 5,245 thousand (USD 1,373 thousand).

Operating Profit. Operating profit for fiscal 2010 decreased by NIS 4,470 thousand (USD 1,170 thousand), or by 14.03%, to NIS 27,387 thousand (USD 7,167 thousand), or 10.1% of revenues, from approximately NIS 31,857 thousand (USD 8,337 thousand), or 13.84% of revenues, recorded in fiscal 2009.

Financing Income (Expenses), Net. Financing income, net, for fiscal 2010 increased by 109.3% to NIS 4,865 thousand (USD 1,273 thousand) from NIS 2,324 thousand (USD 608 thousand) recorded in fiscal 2009.

The financing income for fiscal 2010 primarily includes gains from marketable securities of NIS 3,300 thousand (USD 864 thousand), compared to gains from marketable securities of NIS 2,652 thousand (USD 694 thousand) recorded in fiscal 2009, and also included gain from foreign currency differences of NIS 299 thousand (USD 78 thousand) recorded in fiscal 2010, compared to a loss of NIS 884 thousand (USD 231 thousand) recorded in fiscal 2009 from foreign currency differences.

The financing expenses for fiscal 2010 primarily included bank fees of NIS 424 thousand (USD 111 thousand), compared to NIS 340 thousand (USD 89 thousand) recorded in fiscal 2009 and also expenses of foreign currency differences NIS 98 thousand (USD 25 thousand) recorded in fiscal 2010, compared to income of NIS 211 thousand (USD 55 thousand) recorded in fiscal 2009.

Profit before taxes on income. Profit before taxes on income for fiscal 2010 decreased by NIS 1,929 thousand (USD 505 thousand), or by 5.64%, to NIS 32,252 thousand (USD 8,441 thousand) from NIS 34,181 thousand (USD 8,946 thousand) recorded in fiscal 2009.

Taxes on Income. Taxes on income for fiscal 2010 increased to NIS 6,995 thousand (USD 1,831 thousand) from NIS 4,869 thousand (USD 1,274 thousand) recorded in fiscal 2009.

The increase in taxes on income in fiscal 2010 compared to fiscal 2009 was attributable to the increase in income before taxes and the change in effective tax rates between years resulted from the Company's commercial activities involving the sale of an investment in a Danish company owned by one of the Company's subsidiaries. The tax resulting from this gain is reflected as tax exempt income, as explained in Note 13(B) to the financial statements. In addition, during 2009 the Company reduced the tax provision for 2008, which is reflected in the previous year taxes as explained in Note 13(B), as well. As a result, the effective tax rate for 2009 was relatively low compared to the statutory tax rate for the year 2010.

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Profit from continuing operations. Profit from continuing operations for fiscal 2010 decreased by NIS 4,055 thousand (USD 1,061 thousand), or 13.83%, to NIS 25,257 thousand (USD 6,610 thousand), or 9.32% of revenues, from NIS 29,312 thousand (USD 7,671 thousand), or 12.74% of revenues, recorded in fiscal 2009.

Profit from discontinued operations. Profit from discontinued operations for fiscal 2010 amounted to NIS 4,900 thousand (USD 1,282 thousand), compared to NIS 2,216 thousand (USD 580 thousand) recorded in fiscal 2009.

The profit from discontinued operations for fiscal 2010 and fiscal 2009 included the Company's export segment comprised of Baron, the Danish company and WF (Laish) and the Company's manufacturing segment comprised of Shamir.

Profit for the year. Profit for fiscal 2010 decreased by NIS 1,371 thousand (USD 359 thousand), to NIS 30,157 thousand (USD 7,892 thousand), or 11.12% of revenues, from NIS 31,528 thousand (USD 8,251 thousand), or 13.70% of revenues, recorded in fiscal 2009.

Net income attributable to the owners of the Company. Net income attributable to the owners of the Company for fiscal 2010 decreased by 7.5%, or NIS 2,259 thousand (USD 591 thousand), to NIS 28,177 thousand (USD 7,374 thousand), or NIS 2.18 (USD 0.57) per share, compared to NIS 30,436 thousand (USD 7,965 thousand), or NIS 2.96 (USD 0.77) per share recorded in fiscal 2009.

B. LIQUIDITY AND CAPITAL RESOURCES.

The Company’s operations are funded mainly through equity and cash flows from operating activities. The Company’s bank indebtedness is secured by certain liens on its share capital, goodwill and certain other assets. In general, the Company and its subsidiaries do not utilize bank indebtedness.

For fiscal 2011, cash and cash equivalents decreased from NIS 113.6 million (USD 29.7 million) as of December 31, 2010 to NIS 34.7 million (USD 9.1 million) as of December 31, 2011.

During fiscal 2011, marketable securities increased to NIS 163.4 million (USD 42.8 million) from NIS 67.9 million (USD 17.8 million) as of December 31, 2010.

Cash flow from operating activities

For fiscal 2011, the Company generated a positive cash flow from continuing operating activities of NIS 30.9 million (USD 8.1 million), compared to NIS 15.5 million (USD 4.1 million in fiscal 2010, primarily as a result of an increase of other payables and other current liabilities of approximately NIS 4.2 million (USD 1.1 million) and an unrealized loss on marketable securities of approximately NIS 4.0 million (USD 1.1 million).

For fiscal 2010, the Company generated a positive cash flow from continuing operating activities of approximately NIS 15.5 million (USD 4.1 million), compared to positive cash flow from continuing operating activities of approximately NIS 8.4 million (USD 2.2 million) in fiscal 2009, primarily as a result of a decrease in trade and other payables' and other current liabilities of approximately NIS 10.9 million (USD 2.9 million) and of unrealized gain on marketable securities of approximately NIS 3.3 million (USD 0.9 million).

Cash flow from investing activities

During fiscal 2011, the Company utilized cash flow of NIS 100.9 million (USD 26.4 million) for continuing investing activities, compared to NIS 57.9 million (USD 15.2 million) in fiscal 2010, primarily due to the purchase of marketable securities, net, in the total amount of NIS 99.6 million (USD 26.1 million).

During fiscal 2010, the Company utilized cash flow of NIS 57.9 million (USD 15.2 million) for continuing investing activities, compared to NIS 1.8 million (USD 0.5 million) in fiscal 2009, primarily due to the purchase of marketable securities, net, in the total amount of NIS 53.2 million (USD 13.9 million).

Cash flow from financing activities

During fiscal 2011, the Company utilized cash flow of NIS 10.1 million (USD 2.7 million) for continuing financing activities mainly used to investment in treasury stock.

During fiscal 2010, the Company generated a positive cash flow from continuing financing activities of NIS 69.9 million (USD 18.3 million) mainly due to proceeds from a public offering.

Cash requirements

The Company’s cash requirements, net, during the years ended December 31, 2011 and 2010 were met primarily through its working capital. As of December 31, 2011, the Company had working capital of approximately NIS 267.2 million (USD 69.9 million) compared to working capital of NIS 249.0 million (USD 65.2 million) as of December 31, 2010. The Company believes that its working capital is sufficient for the Company's present requirements.

Trade receivables

The Company’s trade receivables balance as of December 31, 2011 was NIS 57.6 million (USD 15.1 million), compared to the trade receivables balance as of December 31, 2010 in the amount of NIS 85.9 million (USD 22.5 million). The average time period within which our accounts receivable were paid was 87 days in 2011, compared to 90 days in 2010.

Impact of Inflation and Devaluation on Results of Operations, Liabilities and Assets

The rate of inflation in Israel in recent years has been significantly reduced compared to previous years. The rate of devaluation of the NIS against the U.S. Dollar, which was high until 2005, reversed course and the representative rate of the U.S. Dollar, was NIS 3.821 on December 31, 2011, compared to NIS 3.549 on December 31, 2010, NIS 3.775 on December 31, 2009, NIS 3.802 on December 31, 2008 and NIS 3.846 on December 31, 2007. As of April 27, 2012, the representative rate of the U.S. Dollar was NIS 3.757.

The annual rates of inflation in Israel during the years ended December 31, 2007, 2008, 2009, 2010 and 2011 were approximately 3.4%, 3.8%, 3.9%, 2.8% and 2.2% respectively, while during such periods the revaluation (devaluation) of the NIS against the U.S. Dollar was approximately 9.0%, 1.1%, 0.7%, 6.0% and (7.7%) respectively. During each of the years ended December 31, 2007, 2008, 2009 and 2010 the rate of inflation in Israel exceeded the rate of devaluation of the NIS against the U.S. Dollar.

A revaluation of the NIS in relation to the U.S. Dollar has the effect of increasing the U.S. Dollar value of any assets of the Company which consist of NIS or receivables payable in NIS. Such a revaluation also has the effect of increasing the U.S. Dollar amount of any liabilities of the Company which are payable in NIS (unless such payables are linked to the Dollar). Conversely, any decrease in the value of the NIS in relation to the U.S. Dollar will have the effect of decreasing the U.S. Dollar value of any linked NIS assets of the Company and the U.S. Dollar amount of any linked NIS liabilities of the Company.

The dollar cost of the Company's operations in Israel is influenced by the extent to which any increase in the rate of inflation in Israel over the rate of inflation in the United States is offset by the devaluation of the NIS in relation to the U.S. Dollar.

Guarantees and Pledges

Principally in connection with letters of credit issued to the Company, the Company has issued a debenture to each of Bank Leumi Le'Israel Ltd., Bank Mizrahi Tefahot Ltd. and Bank Hapoalim Ltd. The Company has pledged all of its assets (including its outstanding share capital and goodwill of the Company) in favor of Bank Leumi Le'Israel Ltd., Bank Mizrahi Tefahot Ltd. and Bank Hapoalim Ltd. to secure its obligations or those obligations incurred by the Company jointly with third parties, including obligations with respect to letters of credit with the Company's suppliers. Bank Leumi Le'Israel Ltd., Bank Mizrahi Tefahot Ltd. and Bank Hapoalim Ltd. have agreed among them that the pledges subject to such debentures will rank pari passu. The outstanding amount of such letters of credit as of December 31, 2011 was approximately NIS 12,206 thousand (USD 3,194 thousand).

The Company also guarantees, without limitation as to amount and for an unlimited period of time, the obligations of its wholly-owned subsidiary, W.F.D., to Bank Mizrahi Tefahot Ltd. As of December 31, 2011, W.F.D. had no obligations to Bank Mizrahi Tefahot Ltd.

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

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Not applicable.

D. TREND INFORMATION

In recent years, there has been an increase in the number of small private supermarket stores that have opened in Israel, which has resulted in greater price competition in the stores and in our business. The increased price competition in the past resulted in an increase in our cost of sales as a percentage of total revenues. In order to maintain our gross margin at its high levels, in the past we were able to change our product mix and introduce new products with higher margins to increase our gross profit.

In 2007, the global market experienced steep price increases in agricultural commodities and cost pressures due to weather-related problems, reduced milk production, cessation of EU dairy export subsidies at the same time that consumption and demand increased in growing emerging markets. These factors negatively impacted our near term revenues and gross margins.

In 2008, and especially in the fourth quarter of 2008, the decrease in our gross margin continued due to the sharp decrease of the global purchase prices of food products, resulting in the sharp decrease in the selling prices of our products as well. Because our commitments to purchase food products were based on higher prices from our vendors, the immediate consequence was a decline in our gross margin in 2008, and a decline in 2009 first quarter gross margins. The decrease of global purchase prices of food products compounded with the strengthening of the U.S. dollar versus the NIS (a devaluation of more than 13% of the NIS in relation to the U.S. Dollar in the second half of 2008 and further devaluation of 10% in first quarter of 2009) and the general effects of the global economic recession, also led to a decline in our gross margin in 2008.

Since the middle of 2009, the Israeli market has begun to recover from the global economic recession that took place in the end of 2008 and in the beginning of 2009. According to the Israeli Central Bureaue of Statistics, during 2010 there has been an increase in prices of basic products such as milk products, rice, wheat and corn. This increase in prices is explained by the increase in global demand for food and the transformation of allocation of agricultural land to production of energy substitutes instead of food. There are signs of improvement in some economic indicators (for example – raw commodity, consumption per person, commodity per person). The changes in the economic environment which affected our local market, as well as our customers, the strengthening of the New Israeli Shekel (NIS) compared to the US dollar, and the measures we took to recover from the recession (including expanding our product lineup, introducing new products, and increased sales of higher margin products) led to an increase in our revenues and our gross margins in 2010.

On June 2011 a national protest was initiated against the rise of prices of dairy products in Israel. This protest stirred the dairy market in Israel and made its way all the way to the government, which formed a committee to discuss the issue of non-competition in the Israeli dairy market. Accusations were made between those dairy product manufacturers and the supermarket chains regarding the responsibility for the rise, but eventually prices of dairy products were lowered down. On July 2011 the movement has evolved from the dairy products protest to a tent city in Tel-Aviv protesting the cost of housing; to a broad populist movement which protest against the high cost of living in Israel. As a result of a mass demonstration held at the beginning of August 2011 gathering 300,000 demonstrators, or 4% of the entire Israeli population, the Israeli government has announced the creation of a new committee of experts and ministers leaded by Prof. Trajtenberg, former national economic adviser, to study the protesters' demands and to formulate a wide-ranging plan to deal with the burden on the middle class. On late September 2011 Trajtenberg committee submitted it recommendations on socioeconomic change and the Israeli cabinet approved them on the end of October 2011. Part of the committee's recommendations was to increase our corporate taxes and to lower certain customs duties on imported food products. As result of the committee's recommendations, the Company and its subsidiaries received in late 2011 permits to import various hard chesses with reduced customs duty. The above national protest, as well as the continued recession and economic uncertainty, caused the Israeli consumer to reduce its consumption and to demand to lower the food product prices resulted in decreasing the Company's revenues and profits in the second half of fiscal 2011.

The public protests also added a greater urgency to the governmental-appointed Centralization Committee, which had been appointed in October 2010 to examine market concentration in the Israeli economy, which is characterized by a small number of groups that control major business areas, and its effect on the level of competition, market efficiency and financial stability, and propose measure to address. An additional committee has been appointed by the Israel Industry, Trade and Employment Office and by the Minister of Finance to examine the food market (the Kedmi Committee). These developments may have a material impact on the Israeli economy in general as well as the

industries in which we compete.

In June 2011, the Kedmi Committee was appointed in order to examine the level of competition and prices in the food and retail industry. In November 2011, the Kedmi Committee published its interim recommendations, including restrictions on the growth of large supermarket chains, providing the regulator with authority to demand information regarding prices in the supply chain, restrictions on the manufacturer's ability to affect competition, control on certain products' prices of substantial manufacturers, to lower certain customs duties on imported food products and recommendations regarding strengthening the consumer's power. To the Company's knowledge, the Kedmi Committee published a draft of most of its recommendations during January and February 2012 to the Minister of Industry, Trade and Employment Office and the Minister of Finance. As of the date of this Annual Report, we cannot estimate what will be the final recommendations of the Kedmi Committee, and therefore we cannot estimate their impact on the Company. However, if the aforementioned recommendations will be adopted, the Company could just benefit from them. For example – the Company could start import and sell certain food products that the current duty on them is very high and leave no profit in selling them.

The Company is operating from a new logistics center starting from the second quarter of 2007 with the aim of increasing the efficiency of its logistic process and reducing its operating expenses. The Company is also working towards increasing its sales to customers outside of Israel.

The Company's management is evaluating the financial stability of its customers by entering into agreements with companies for providing business data, examining bank accounts, investigations, and following negative publications regarding those customers or other signs indicating financial difficulties.

A published report from March 2012 ("The Specialty Food Market in North America" -Agri-Food Trade Service) concluded that the North American kosher food market grew 15% year-over-year in the past 10 years, with roughly $200 billion in kosher certified food products sold annually and an active consumer base of 15 million. According to this report, kosher products are expected to grow in the future and become the largest ethnic food segment in the U.S. kosher products in the marketplace continue to rise along with demand, and with an increasing number of companies looking for kosher certification, the demand for Kosher ingredients for these products is also rising. The demand for kosher products is growing because of demand for kosher products is not limited to just the Jewish population. The majority of today's kosher consumers are classified within the following categories: 1) non-Jewish religiously-observant consumers such as Muslims and 7th Day Adventists; 2) Consumers with specific dietary restrictions and preferences, and; 3) Health and safety-conscious consumers. We believe that an increasing number of mainstream consumers are becoming concerned about the integrity of the food they eat for ethical or health reasons and this will provide growth opportunity for the kosher market. In addition to the increase in health-conscious consumers, we believe that other ethnic and religious groups contribute to the increase in the kosher food market since the dietary restrictions for certain other religious groups are met by kosher food.

OFF-BALANCE SHEET ARRANGEMENTS

Not applicable

E. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table of the Company's material contractual obligations as of December 31, 2011 summarizes the aggregate effect that these obligations are expected to have on our cash flows in the periods indicated:

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years (in thousands)	3-5 years	More than 5 years
Open purchase orders	NIS 16,843 (USD 4,408)	NIS 16,843 (USD 4,408)	--	--	--
Total	NIS 16,843 (USD 4,408)	NIS 16,843 (USD 4,408)	--	--	--

F. SAFE HARBOR

This Annual Report contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend" a similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events, based on certain assumptions and information currently available to management, all of which are subject to certain risks and uncertainties including, among others:

changes affecting currency exchange rates, including the NIS/U.S. Dollar exchange rate;
payment default by, or loss of, one or more of our principal clients;
the loss of one or more of our key personnel;
termination of arrangements with our suppliers, and in particular Arla Foods amba;
increasing levels of competition in Israel and other markets in which we do business;
increase or decrease in global purchase prices of food products;
our inability to accurately predict consumption of our products;
our inability to anticipate changes in consumer preferences;
product liability claims and other litigation matters;
interruption to our storage facilities;
our insurance coverage may not be sufficient;
our operating results may be subject to variations from quarter to quarter;
our inability to successfully compete with nationally branded products;
our inability to protect our intellectual property rights;
our inability to meet the Nasdaq listing requirements;
significant concentration of our shares are held by one shareholder;
our management could lose a major amount of its indirect ownership of our common stock through litigation;
we are controlled by and have business relations with Willi-Food and its management;
The price of our ordinary shares may be volatile;

all of our assets are pledged to creditors;

changes in laws and regulations, including those relating to the food distribution industry, and inability to meet and maintain regulatory qualifications and approvals for our products;

economic conditions in Israel;
changes in political, economic and military conditions in Israel, including, in particular, economic conditions in the Company's core markets; and,
our international operations may be adversely affected by risks associated with international business.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results of operations may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The directors, executive officers and key employees of the Company as of the date of this Annual Report are as follows:

Name	Age	Position with the Company
Zwi Williger	57	Chairman of the Board
Joseph Williger	55	President and Director
Ayelet Eliav(2)	42	External Director Nominee
Ariel Herzfeld (1)	57	External Director
Chaim Gertal (1)	76	Director
Gil Hochboim	42	Temporary Chief Executive Officer
Baruch Shusel	45	Chief Financial Officer

(1) Members of the Company's Audit Committee.

(2) Appointment subject to shareholder approval. The special general meeting of shareholders is scheduled for May 17, 2012.

The Directors are elected at the annual general meeting of shareholders and hold office until the next annual general meeting of shareholders and until their successors have been elected. Officers serve at the discretion of the Board, subject to the terms of any agreement between officers and the Company.

The business experience of each of the Directors, executive officers and key employees of the Company is set forth below:

Zwi Williger has served as the Chief Operating Officer and Chairman of the Company since January 1997, and from inception of the Company to January 1997 as a director and Manager of Marketing Development of the Company. As of September 15, 2011, Mr. Williger no longer serves as Chief Operating Officer. Mr. Williger has also served as a director of the Company's subsidiaries - W.F.D. since November 1996, and Gold Frost since April 2001 until October 2011. In addition, Mr. Williger has served as a director of Willi-Food since December 1992 and as a director of Titanic since April 1990. Mr. Williger attended Fresno University in California. Zwi Williger is the brother of Joseph Williger, President and a director of the Company.

Joseph Williger served as the Chief Executive Officer (or general manager) and as a Director of the Company since its inception in January 1994. As of September 15, 2011, Mr. Williger has also served as President of the Company and no longer serves as Chief Executive Officer. He has also served as the Chairman of the Company's subsidiaries, W.F.D. and Gold Frost, since November 1996 and April 2001, respectively. Mr. Williger was no longer able to continue to serve as Chief Executive Officer due to a recent amendment to the Israeli Companies Law which forbids a person or his immediate family member from serving as both a Chairman and a CEO. Mr. Williger's brother, Zwi Williger, serves as the Company's Chairman of the Board of Directors of the Company. One of the proposed resolutions for the special general meeting of shareholders to be held on May 17, 2012 is to approve the appointment of Mr. Williger as the Chief Executive Officer of the Company, while Mr. Zwi Williger is acting as the Chairman of the Board, jointly with his role as the President and a Director of the Company. Shall be noted, Mr. Williger will not receive compensation in his capacity as Chief Executive Officer of the Company; the compensation currently payable to Mr. Williger in his capacity as the President and a Director of the Company will be the sole compensation that he will receive. Mr. Williger has also served as a director and as chairman of the Board of Willi-Food, the controlling

shareholder of the Company, since December 1992 and June 1994, respectively. Mr. Williger has served as Director of Titanic, a company he owns together with Mr. Zwi Williger, since April 1990. Mr. Williger attended Bar-Ilan University in Israel and Nortrige University in Los Angeles.

Ayelet Eliav was nominated by the Board of Directors of the Company as the replacement for Ms. Talma Barbash Knoller who resigned for personal reasons. Mrs. Eliav's nomination is subject to shareholder approval. Mrs. Eliav, age 42, has been serving as Chief Executive Officer of AEL Ltd., an importer of name-brand shoes, since 2006. Between 2002 and 2006, Mrs. Eliav was the Manager and Chief Financial Officer of Globus International Packages and Transporting Ltd., which manufactures packaging materials and provides transportation services. Between 1999 and 2002, she was the Chief Financial Officer of Opticana, which sells optical products. During 1998, she was Manager and Chief Financial Officer of Future International Transporting Ltd., which provide international transportation services, and between 1993 to 1998 she was a senior tax inspector in the Income Tax Department in the Ministry of Finance. Mrs. Eliav is a certified public accountant (Israel). She holds a LLB from the Interdisciplinary Center in Herzliya, Israel, and she received her BA in Accounting and Business Management from the College of Management in Tel Aviv, Israel.

Ariel Herzfeld has served as an external director since August 30, 2006, and on September 1, 2009 he was re-appointed for one additional three-year period by the annual general meeting of the shareholders. Mr. Herzfeld is a senior partner in the Israeli CPA firm, M. Herzfeld & Co. and in Herzfeld-Cohen Management Services where he provides auditing, consulting and management services, to a wide variety of private and public organizations. Mr. Herzfeld also served as a director (including a member of the audit committee) in Tadiran Group Ltd., a prominent Israeli importer of appliances & airconditions that is traded on the Tel-Aviv Stock Exchange. Mr. Herzfeld was the managing partner in charge of the audit-force nominated by the Israeli Parliamentary Investigation Commission for locating and restoring property for Holocaust victims in Bank Hapoalim B.M (one of the largest banks in Israel). Mr. Herzfeld earned his BA degree from the University of Denver in Colorado in 1978 and his MBA, in which he majored in information systems analysis, from the Ono Academic College, in 2005. Mr. Herzfeld is a Certified Public Accountant (Isr.) and a Certified System.

Chaim Gertal, has served as a director of the Company since August 2010. Mr. Gertal is a member of the Audit Committee of the Company. From 1979 to 1999, Mr. Gertal was the general manager of Hanetz Import & Export Ltd., a subsidiary of Shufersal Ltd., the biggest supermarket chain in Israel and at the same time served as head of Food importers committee at the Israeli chamber of commerce. From 1954 to 1979 he served in the IDF, inter alia as commander of a logistics center, after being trained in logistics system management, and retired as a colonel). Mr. Gertal received his degree in Economy, Political Science and Sociology (B.A.) from Bar-Ilan University, Israel.

Gil Hochboim returned to the Company as Vice President in June 2007, with responsibility for mergers and acquisitions and general operations. In February 2012, Mr. Hochboim was appointed as temporary Chief Executive Officer of the Company. Mr. Hochboim served as Chief Financial Officer of the Company between August 2000 and October 2006. Between March 1998 and August 2000, he served as deputy manager of Ha'menia Goods Transport Corp. Ltd., and between April 1995 and February 1998, as deputy comptroller of Dan Hotels Corp. Ltd. Mr. Hochboim is a certified public accountant (Israel). He received his BA in Accounting and Business Management from the College of Management, Tel Aviv, Israel.

Baruch Shusel has served as Chief Financial Officer since December 30, 2010. Mr. Shusel has extensive experience in the food retail market. Prior to joining the Company he was the Chief Financial Officer of L.D.S. (Commodities) Ltd. (which was one of the largest sugar importers in Israel) where he began working in January 2001. Between January 1995 and December 2000 Mr. Shusel served as the controller of Sugat (1967) (which is one of the largest food manufacturers in Israel). Mr. Shusel is a certified public accountant (Israel). He received his BA in Accounting and Economics and his MSc in Industrial Management from Ben Gurion University of the Negev, Beer Sheva, Israel.

Talma Barbash Knoller, served in her capacity as an external director since January 2011 until her resignation effective as of February 19, 2012.

B. COMPENSATION

Compensation of Directors and Officers

The aggregate compensation paid by the Company to its directors and officers as a group for the fiscal year 2011 was approximately NIS 4.3 million (USD 1.1 million), excluding bonuses in an aggregate amount of approximately NIS 2.5 million (USD 0.6 million) paid to Messrs. Joseph and Zwi Williger. These amounts include all contingent or deferred compensation payable to directors or officers during 2011. These amounts also include payments to non-executive directors in the aggregate amount of approximately NIS 171 thousand (USD 45 thousand) during 2011.

The foregoing does not include amounts expended by the Company for motor vehicles made available to its officers, expenses (including business travel, professional and business association dues and expenses) reimbursed to officers and other benefits commonly reimbursed and paid for by companies in Israel. The Company provides motor vehicles to key employees and certain officers, at the Company’s expense.

See also “Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions”.

Management Service Agreements

As of June 1, 1998, the Company entered into management services agreements with companies controlled by each of Messrs. Joseph and Zwi Williger, respectively (collectively, the “Williger Management Companies”), pursuant to which Messrs. Joseph and Zwi Williger provide management services on behalf of the Williger Management Companies to the Company (the “Management Services Agreements”).

The term of each of the Management Services Agreements was for a period of four years commencing on June 1, 1998 (the “Management Services Period”), each of which was automatically renewed on June 1, 2002 for additional two years periods and were automatically renewed for an additional period of two years in June 1, 2004. Under these agreements, the Company has the ability to terminate the Management Services Agreements only upon six months notice prior to the end of the Management Services Period or any extension thereof as the case may be. In the event the Company terminates any of the Management Services Agreements prior to the expiration of the Management Services Period or any extension thereof, for any reason whatsoever, it is obligated to pay all amounts due under the respective Management Services Agreements through the expiration of the Management Services Period or any extension thereof, as the case may be.

Each of the Management Services Agreements provides for monthly service fees equal to USD 24,500 (excluding VAT) and an annual bonus at a rate of 3% of the Company’s pre-tax consolidated annual profits, if such profits are equal to or less than NIS 3.0 million (approximately USD 0.8 million), or at a rate of 5% if such profits exceed such level. The Management Services Agreements further provide that benefits in general, including the social benefits of Messrs. Joseph or Zwi Williger, and income tax payments, national insurance payments and other payments due by

employees with respect of their employment, are to be paid for at the sole expense of the Williger Management Companies. The Williger Management Companies undertook to indemnify the Company with respect to any claims against the Company with respect to employer/employee relations. In addition, each of the Management Services Agreements includes non-competition provisions for the duration of the Management Services Period as well as confidentiality provisions.

In July 2005, the Management Services Agreements were amended as follows:

(1) The term of the Management Services Agreements were extended indefinitely, subject to clauses (2), (5) and (6) below.

(2) Each of the parties to the Management Services Agreements may terminate the agreement at any time, and for any reason, by prior written notice, which will be delivered to the other party as follows:

- The Company may terminate the agreement at any time, and for any reason, by prior written notice of at least 18 months.
- Each Williger Management Company may terminate the agreement at any time, by prior written notice of at least 180 days.

(3) The Company may waive receiving actual management services from the Williger Management Company during the prior notice period, but this will not eliminate its obligation to continue paying the Williger Management Company the management fees owed to the Williger Management Company until the termination of the prior notice period.

(4) If a Williger Management Company terminates the Management Services Agreement, the Williger Management Company will be entitled to receive the management fees for a period of six (6) months, which shall begin after the prior notice period, whether or not it provides the Company with any management services during such six-month period.

(5) In the event the Williger Management Company provides the management services to the Company without the presence of Messrs. Zwi Williger or Joseph Williger, as the case may be, and/or in the case of the death and/or permanent disability of Messrs. Zwi Williger or Joseph Williger, the Company will be entitled to terminate the Management Services Agreement immediately.

(6) Both Messrs. Zwi Williger and Joseph Williger have agreed with the Company that if a liquidation order or receivership order is issued against a Williger Management Company which prevents the Williger Management Company from continuing to provide the management services according to the Management Services Agreement, they will immediately commence working for the Company in return for pay and social benefits costing the Company the same amount as the monthly management fees that the Company paid the Williger Management Company to that date, or alternatively, at their sole discretion, shall begin providing the Company with management services via another company owned and controlled by them under the conditions of the Management Services Agreement.

(7) In addition, the Management Services Agreements contain provisions regarding the Company providing vehicles for the use of Messrs. Zwi Williger and Joseph Williger, and regarding full reimbursement of expenses incurred by Messrs. Zwi Williger and Joseph Williger while providing the management services to the Company, including reasonable lodging and travel expenses in Israel and abroad, phone expenses in their home and mobile phone expenses, including calls abroad related to providing the management services to the Company, subject to providing receipts.

On February 15, 2006, in light of the decision of the Israeli Securities Authorities to limit the duration of the aforesaid Management Services Agreements to a period of five (5) years, the Board of Directors decided to limit the duration of the Management Services Agreements to a period of five (5) years each, both ending five years after the date of their approval by the General Meeting of Shareholders (i.e. July 19, 2010).

On March 16, 2008, the Management Services Agreements with Messrs. Zwi Williger and Joseph Williger were amended as follows:

(a) The current monthly services fees according to the Management Services Agreements will cease to be linked to the US Dollar and will be translated to NIS 102,900 (excluding VAT) linked to changes in the Israeli CPI.

(b) The terms of the Management Services Agreements are to be extended indefinitely, subject to clause (c) below; provided however that in the event the Williger Management Company provides the management services to the Company without the presence of Messrs. Zwi Williger or Joseph Williger, as the case may be, and/or in the case of the death and/or permanent disability of Messrs. Zwi Williger or Joseph Williger, the Company will be entitled to terminate the Management Services Agreement immediately.

(c) Each of the parties to the Management Services Agreements may terminate the agreement at any time, and for any reason, by prior written notice which will be delivered to the other party as follows:

- The Company may terminate the agreement at any time, and for any reason, by prior written notice of at least 36 months.

- The Williger Management Company may terminate the agreement at any time, by prior written notice of at least 180 days.

(d) If a Williger Management Company is to terminate the Management Services Agreement, the Williger Management Company would be entitled to receive the management fees for a period of twelve (12) months, which will begin after the prior notice period, whether or not it provides the Company with any management services during such twelve-month period.

In addition, the Management Services Agreements contain provisions entitling each of Messrs. Zwi Williger and Joseph Williger to 30 vacation days per year, during which days the applicable Williger Management Company will not provide management services to the Company. Unused vacation days may be accumulated and paid for in lieu of taking such days as vacation.

In March 2011, the Israeli Parliament adopted Amendment No. 16 to the Companies Law (“Amendment No. 16”), which implemented a comprehensive reform in the corporate governance of Israeli companies. In accordance with Amendment No. 16, in general, any transaction or compensation arrangement with a controlling shareholder, including transactions and compensation arrangements that were in effect prior to Amendment No. 16, must be approved by the Audit Committee, Board of Directors and the General Meeting of Shareholders every three years. Furthermore, existing transactions and compensation arrangements with controlling shareholders must be approved three years from the date the transaction was last approved by the General Meeting of Shareholders.

On August 28, 2011 and August 30, 2011, the Audit Committee and the Board of Directors of the Company, respectively, unanimously approved the extension of the Management Services Agreements described above for three years from September 15, 2011 until September 14, 2014. The approval was granted subject to (i) the approval of the General Meeting of Shareholders by a special majority and (ii) the amendment of the Management Services Agreements to (A) provide that Mr. Zwi Williger would serve as active Chairman of the Board of Directors of the

Company and no longer serve as Chief Operating Officer, and Mr. Joseph Williger would serve as President of the Company and no longer serve as Chief Executive Officer and (B) reduce from 36 months to 18 months the prior notice that the Company must provide to a Williger Management Company's in the event that the Company wishes to terminate the Management Service Agreement. Messrs. Zwi Williger and Joseph Williger did not participate in the meetings of the Audit Committee and the Board of Directors. These amendments were approved by the Company's shareholders on October 6, 2011.

Employment Agreements

In June 2007, the Company entered into an employment agreement with Mr. Gil Hochboim, pursuant to which Mr. Hochboim agreed to serve as the Vice President of the Company. The agreement provides for a monthly salary and benefits customarily provided by the Company to its senior employees, including bonuses and the use of a vehicle.

In December 2010, the Company entered into an employment agreement with Mr. Baruch Shusel, pursuant to which Mr. Shusel agreed to serve as the Chief Financial Officer of the Company. The agreement provides for a monthly salary and benefits customarily provided by the Company to its senior employees, including bonuses and the use of a vehicle.

C. BOARD PRACTICES

Terms of Office

Directors are elected by the shareholders at the annual general meeting of the shareholders, except in certain cases where Directors (who are not External Directors) are appointed by the Board of Directors, and their appointment is later ratified at the first meeting of the shareholders thereafter. Except for External Directors (as discussed below), Directors serve until the next annual general meeting of the shareholders.

Alternate Directors

The Articles of Association of the Company provide that any director may, by written notice to the Company, appoint another person to serve as an alternate director. Under the Israeli Companies Law, the directors of the Company cannot appoint an incumbent director or an incumbent alternate director as an alternate director. The term of appointment of an alternate director may be for a specified period, or until notice is given of the termination of the specified period or of the appointment. A Director on a Board Committee may appoint anyone to be his Alternate subject to the potential alternate not being a member of such committee, and if the appointing Director is an External Director then the alternate must be an External Director having suitable financial and accountancy expertise or professional qualifications, as those of the appointing director. Except for the foregoing regarding a committee of the Board of Directors, an External Director cannot appoint an alternate director.

Audit Committee

Nasdaq Requirements

Our ordinary shares are listed for quotation on the Nasdaq Capital Market, and we are subject to the rules of the Nasdaq Capital Market applicable to listed companies. Under the current Nasdaq rules, a listed company is required to have an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise. Chaim Gertal and Ariel Herzfeld qualify as independent directors under the Nasdaq requirements and are members of the Audit Committee. Ayelet Eliav, our external director nominee, qualifies as an independent director under the Nasdaq requirements and will become a member of the audit committee if she is elected. The role of the audit committee for Nasdaq purposes includes assisting the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the Company's accounting, auditing and reporting practices.

Companies Law Requirements

Under the Israeli Companies Law, the board of directors of a public company must appoint an audit committee, comprised of at least three directors including all of the external directors, with a majority of independent directors but excluding a:

- chairman of the board of directors;
- controlling shareholder or his relative;
- any director employed by or who provides services to the company on a regular basis.
- any director employed by the main shareholder or by any corporation controlled by the main shareholder;
- any director employed by or who provides services to the company on a regular basis;
- any director employed by or who provides services to the company main shareholder on a regular basis or by corporation controlled by the main shareholder;
- any director who is main livelihood in the main shareholder;

The Chairman of the audit committee must be an external director.

The responsibilities of the audit committee under the Israeli Companies Law include identifying irregularities in the management of the company's business and approving related party transactions as required by law - approval among other things, "actions" or "transactions" (as such terms are defined in the Israeli Companies Law), overseeing the business management practices of the Company in consultation with the Company's internal auditor and independent auditors, and making recommendations to the Board to improve such practices and approving transactions with affiliates.

Independent Directors

The Company is a "Controlled Company" within the meaning of the Nasdaq rules since more than 50% of its voting power is held by Willi-Food. As a Controlled Company, the Company is exempt from certain Nasdaq independence requirements, such as the requirement that a majority of the Board of Directors be independent and the rules relating to independence of directors approving nominations and executive compensation.

External Directors under the Israeli Companies Law /Financial Experts

The Israeli Companies Law requires that the Company have at least two external directors on its Board of Directors. The election of an external director under the Israeli Companies Law must be approved by a general meeting of shareholders provided that either: (a) the majority of shares voted at the meeting, including at least a majority of the shares of non-controlling shareholders or who and must meet certain non-affiliation criteria - all as provided under Israeli law, voted at the meeting, vote in favor of such arrangement (not including abstentions) or (b) the total number of shares voted against such arrangement does not exceed two percent of the aggregate voting rights in the company.

A "Controlling Shareholder" is defined in the Israeli Companies Law as a shareholder with the ability to control the actions of the company, whether by majority ownership or otherwise, and for the purpose of transactions with related parties, it may include a shareholder who holds at least 25% of the voting rights in the Company, provided that there is no other shareholder who holds more than 50% of the voting rights in the company. Regarding the holdings, two or more shareholders that holds voting rights in the Company and that each one has a personal interest with the approval of that transaction presented for approval of the company, will be seen as holding together.

The Israeli Companies Law further requires that at least one external director have financial and accounting expertise, and that the other external director(s) have professional competence, as determined by the company's board of directors. , A director having financial and accounting expertise is a person who, due to his or her education, experience and talents is highly skilled in respect of, and understands, business-accounting matters and financial reports in a manner that enables him or her to understand in depth the company's financial statements and to stimulate discussion regarding the manner in which the financial data is presented. Under the regulations, a director having professional competence is a person who has an academic degree in either economics, business administration, accounting, law or public administration or an academic degree in an area relevant to the company's business, or has at least five years experience in a senior position in the business management of a corporation with a substantial scope of business, in a senior position in the public service or a senior position in the field of the company's business.

An External Director is appointed for a period of three consecutive years and may be re-appointed for two additional three-year period only, subject to certain conditions (including approval by our shareholders at a general meeting) as provided under Israeli regulations. Under the Company's Articles of Association, any committee of the Board of Directors to which the Board of Directors has delegated its powers in whole or in part, must include at least one External Director. Under the Israeli Companies Law, the Audit Committee must include all the External Directors.

The External Director of the Company is Mr. Ariel Herzfeld, who was appointed as an External Director in August 2006 and who was re-appointed for one additional three-year period in September 2009. The Company has scheduled a special general meeting of shareholders to be held on May 17, 2012 in order to approve the appointment of Mrs. Ayelet Eliav as an External Director of the Company for a period of three years. She would replace Ms. Barbash Knoller's who resigned for personal reasons.

Fiduciary Duties of an Officer

The Israeli Companies Law governs the duty of care and duty of loyalty which an Officer has to the company. An "Officer" is defined in the Israeli Companies Law as a general manager, chief executive officer, executive vice president, vice president, any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title and director or other managers directly subordinate to the general manager.

The duty of loyalty and to act in good faith, requires the Officer to avoid any conflict of interest between the Officer's position in the company and personal affairs, and proscribes any competition with the company or the exploitation of any business opportunity of the company in order to receive personal advantages for him or herself or others. This duty also requires him or her to reveal to the company any information or documents relating to the company's affairs that the Officer has received due to his or her position as an Officer. The duty of care requires an Officer to act in a way that a reasonable Officer would act in the same position and under the same circumstances. This includes the duty to utilize reasonable means to obtain information regarding the advisability of a given action submitted for his or her approval or performed by virtue of his or her position and all other relevant information.

The Directors of the Company are entitled to obtain all information relating to such company's management and assets and to receive assistance, in special cases, from outside experts at the expense of the company. The law imposes an obligation on the directors of the company to act to convene a meeting of a company's board of directors upon becoming aware of matters that suggest infringements of law, neglect of good business practice or conduct by an Officer, which may result in a breach of duty of such Officer.

Internal Auditor

Under the Israeli Companies Law, Israeli companies whose securities are publicly traded are also required to appoint an internal auditor, in accordance with the proposal of the audit committee. The role of the internal controller is to examine, inter alia, whether the Company's actions comply with the law, integrity and orderly business procedures. Mr. Doron Yonisy is the internal auditor of the Company since September 2010. Mr. Joshua Freund was the internal auditor of the Company from November 1997 until August 2010.

Indemnification

In accordance with the Israeli Companies Law and the Company's Articles of Association, the Company has undertaken to indemnify and insure its directors and senior officers, against certain liabilities which they may incur in connection with the performance of their duties. Under the terms of such indemnification provisions, the Company may, to the extent permitted by law, indemnify an Officer for legal expenses incurred by him/her in connection with such indemnification.

In 2005, the Company restated its Articles of Association in order to conform the Company's Articles of Association to the revised provisions of the Israeli Companies Law. On May 4, 2005, the Board of Directors and Audit Committee of the Company also approved an exemption in advance to any Director or Officer from any liability to the Company attributed to damage or loss caused by breach of the Director's or Officer's duty of care owed to the Company, except for such breach of duty of care in distribution (as such term is defined in the Israeli Companies Law).

Also, the Board of Directors, the Audit Committee and the shareholders approved an irrevocable indemnification of the Officers by the Company with respect to any liability or expense paid for by the Officer or that the Officer may be obligated to pay.

In light of the recent enactment of Amendment No. 16, an agreement with a controlling shareholder, such as the Company's exemption and indemnification letter to its controlling shareholders, must be approved every three years by the Audit Committee, Board of Directors and by a special majority of the General Meeting of Shareholders. Messrs. Zwi Williger and Joseph Williger are deemed under the Israeli Companies Law to be the controlling shareholders of the Company. On October 6, 2011 following the unanimous approval of the Company's Audit Committee and Board of Directors, the General Meeting of Shareholders of the Company approved the extension of the exemption and indemnification letter for officers and directors of the Company who are controlling shareholders for three years, from November 15, 2011 until November 14, 2014.

Directors and officers liability insurance policy

In light of the recent enactment of Amendment No. 16, an agreement with a controlling shareholder, such as the Company's directors and officers' liability insurance policy for its controlling shareholders, must be approved every three years by the Audit Committee, Board of Directors and by a special majority of the General Meeting of Shareholders. Messrs. Zwi Williger and Joseph Williger are deemed under the Israeli Companies Law to be the controlling shareholders of the Company. On August 30, 2011 the Board of Directors resolved, following the approval of the Audit Committee dated August 28, 2011, that the said directors and officers liability insurance policy of the Company for directors and officers who are controlling shareholders will be approved for a three years period in accordance with Article 1B(5) of the Israeli Companies Regulations (Relieves with respect to Transactions with interested Parties),2000 (the "Reliefs Regulations"). Accordingly, if there is opposition as provided in Article 1C of the Reliefs Regulations, one or more shareholders who hold at least one percent of the issued capital or the voting rights in the company, is entitled to give notice of its opposition of this report. If opposition as provided in Article 1C(a) of the Reliefs regulations is submitted, the engagement shall require, in relation to application of the policy to

directors and officers who are controlling shareholders, approval of the general meeting by a special majority laid down in section 275 of the Israeli Companies Law.

Approval of Related Party Transactions under the Israeli Companies Law

The Israeli Companies Law requires that an Office Holder promptly disclose any direct or indirect personal interest that he/she or his/her affiliates may have, and all related material information known to him/her, in connection with any existing or proposed transaction by the company. If the Office Holder complies with such disclosure requirements, the company may approve the transaction in accordance with the provisions of its articles of association and the Israeli Companies Law. Under the Israeli Companies Law, if the Office Holder has a personal interest in the transaction, the approval must confirm that the transaction is not adverse to the company's interest.

In most circumstances, the Israeli Companies Law restricts Office Holders who have a personal interest in a matter which is considered at a meeting of the board or the audit committee from being present at such meeting, participating in the discussions or voting on any such matter.

Generally, under the Israeli Companies Law the compensation of an Officer who is a director, or the compensation of an Officer who holds a controlling interest in the company, requires the approval of the Audit Committee, the Board of Directors and the general meeting of the shareholders of the company. The Israeli Companies Law also requires that a transaction between the company and its Officer and also a transaction between the company and another person in which an Officer has a personal interest, requires the approval by both the audit committee and the of the Board of Directors if such transactions are not extraordinary transactions, although, as permitted by law and subject to any relevant stock exchange rule. If such transactions are extraordinary transactions (that is, a transaction other than in the ordinary course of business, otherwise than on market terms, or is likely to have a material impact on the company's profitability, assets or liabilities), in addition to Audit Committee approval, the transaction also must be approved by the Board of Directors, and, in certain circumstances, the shareholders of the Company at a general meeting. Under the Israeli Companies Law, an extraordinary transaction between a public company and a person having control of the company or an extraordinary transaction between a public company and another person, in which a controlling member has a personal interest, must be approved by the Audit Committee, the Board of Directors and a meeting of the shareholders, provided that either: (a) the majority of shares voted at the meeting, including at majority of the shares voted by shareholders who do not have a personal interest in the matter and who are present at the meeting, are voted in favor of such arrangement (abstentions shall not be included in the total of the votes) or (b) the total number of shares of the shareholders referred to in clause (a) voting against such arrangement does not exceed two percent of the aggregate voting rights of the company.

Under the Israeli Companies Law, a private placement to a shareholder becoming a Controlling Shareholder, or a private placement to a principal shareholder (a holder of 5% or more of a company's issued share capital or voting rights) or due to which a shareholder will become a principal shareholder of at least 20% of the voting rights in the Company before such placement, is also subject to the approval of the Audit Committee, the Board of Directors and a meeting of the shareholders, as specified above. Directors with respect to whom the foregoing matters are brought for Board of Directors or Audit Committee approval are not entitled to be present during discussions of, nor to participate in the vote for approval of, such matters at the Board of Directors and/or Audit Committee meetings, unless a majority of Audit Committee or Board members, as the case may be, have a personal interest in such matter or the matter involves non-extraordinary transactions between the company and either a Director or a third party in which a Director has a personal interest. The Israeli Companies Law further provides that in the event that a majority of board members have a personal interest in such a matter, it also requires shareholder approval. In cases in which the approval of the audit committee is required, the audit committee may only approve such transactions if two statutory independent directors are members of the audit committee and at least one of them is present at the meeting at which the transaction is approved.

D. EMPLOYEES

As of December 31, 2011, the Company, including its subsidiaries, employed a total of 111 persons (all of them are located in Israel), five of whom were in management, 19 of whom were in accounting and importing positions, 30 of whom were involved in the Company's sales and marketing departments and 57 of whom were employed in logistics networks (warehousing and transportation). This compares with 113 employees (excluding Shamir employees) as of December 31, 2010, five of whom were in management, 23 of whom were in accounting and importing positions, 32 of whom were involved in the Company's sales and marketing departments, and 53 of whom were employed in logistics networks (warehousing and transportation). Including Shamir employees, the Company had 227 employees as of December 31, 2010, 17 of whom were in management, 26 of whom were in accounting and importing positions, 47 of whom were involved in the Company's sales and marketing departments, and 137 of whom were employed in logistics networks (warehousing and transportation)).

As of December 31, 2011, seven additional employees (stewards and sales people) were engaged on an hourly basis. On December 31, 2010, the number was 73 (including Shamir employees). Other employees were supplied by

temporary manpower companies, on as needed bases.

Most of the Company's employees are party to written employment contracts. Regarding the Company's management services agreements with companies controlled by Messrs. Joseph and Zwi Williger, see “Item 6. Directors, Senior Management and Employees – B. Compensation - Management Service Agreements”.

The Company believes that its working relations with its employees are satisfactory. Israeli labor laws are applicable to most of the Company's employees, as are certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) (the "Histadrut") and the Coordination Bureau of Economic Organizations (including the Manufacturers' Association of Israel) (the "MAI"), by order of the Israeli Ministry of Labor. These provisions, along with the Israeli labor laws, principally concern the length of the work day, minimum daily wages for professional employees, paid annual sick leave, prohibition of discrimination, insurance for work-related accidents, social security, procedures for termination of employment by dismissal, entitlement to and calculation of severance pay and other terms of employment.

In addition, Israeli employers, including the Company, are required to provide certain escalations in wages in relation to the increase in the Israeli CPI. The specific formula for such escalation varies according to agreements between the Government of Israel, the MAI and the Histadrut.

A general practice in Israel, which is followed by the Company, is the maintenance of a pension plan to the benefit of its employees (the "Pension Plan"). Each month, both the Company and its employees allocate sums to the Pension Plan. Types of Pension Plans may vary, while a commonly used Pension Plan is known as “Manager's Insurance”. Pension Plans provide a combination of savings plan, insurance and severance pay benefits to participating employees. Some of the sums allocated monthly by the Company to the employees' Pension Plans are on account of severance pay to which the employees may be entitled, upon termination of employment. Each month the employee contributes an amount which equals to 3.33% to 6.0% of his insured salary, and the Company contributes an additional sum of between 6.66% to 14.33% to his insured salary. In addition, Israeli law generally requires payment of severance pay upon the retirement or death of an employee or termination of employment without due cause. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute (which is similar, to some extent, to the United States Social Security Administration). The payments thereto amount to 7.35% to 17.43% of wages; the employee’s share being 3.5% to 12% (depending on the marginal level of wages) and the employer’s share being 3.85% to 5.43%.

E. SHARE OWNERSHIP

For information regarding the share ownership of Directors and Officers of the Company see “Item 7. Major Shareholders and Related Party Transactions”.

Employee Share Option Plan

In May 1997, the Board of Directors of the Company adopted an employee share option plan (the "1997 Share Option Plan”), pursuant to which the Company granted options to purchase 180,000 ordinary shares to employees, officers, Directors and consultants of the Company and the subsidiary (including 160,000 options to related parties).

Of the above, options to purchase an aggregate of 130,000 ordinary shares were granted to Mr. Joseph Williger and Mr. Zwi Williger at an exercise price equal to the nominal value per share of NIS 0.10. The options were exercisable as to 20% every six-months anniversary from the date of grant, on a cumulative basis, during a period of five years. These options were exercised in January 2000.

Options to purchase 35,000 ordinary shares were held by the Company’s Officers and Directors (as a group) and options to purchase 15,000 ordinary shares were held by other employees. The options, granted as of the effective date of the Company’s initial public offering under the Company’s 1997 Share Option Plan, are generally exercisable during a five-year period commencing on the 24th month anniversary from the date of grant, at an exercise price equal to the initial public offering price per share - USD 4.10 per share, which was equal to the fair market value of the shares on the date of the grant. On April 2004, Zwi Williger and Joseph Williger exercised 15,000 options each at an

exercise price of USD 4.10 per share. The 1997 Share Option Plan was terminated in May 2004, and the remaining 20,000 options expired unexercised.

On January 2008, Willi-Food's Board of Directors adopted an employee's stock incentive plan, initiated also for the Company's employees. On 2009 the plan has been amended.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth, as of April 1, 2012, the number of Ordinary Shares beneficially owned by (i) each shareholder, to the best knowledge of the Company and based on information received from the shareholders, to own more than 5% of the Ordinary Shares and (ii) all directors and officers as a group. The information presented in the table is based on 12,974,245 Ordinary Shares outstanding as of April 1, 2012.

Name and Address	Number of Ordinary Shares Beneficially Owned	Percentage of Ordinary Shares	
Willi-Food (1)	7,305,201	56.31	%
Joseph Williger (1)(2)	7,305,201 (2)	56.31	%
Zwi Williger (1)(2)	7,809,608 (2)	60.19	%
All directors and officers as a group (2 persons)	7,809,608 (2)	60.19	%

(1) Willi-Food's securities are traded on the Tel Aviv Stock Exchange. The principal executive offices of Willi-Food are located at 4 Nahal Harif St., Northern Industrial Zone, Yavne, 81106 Israel. The business address of each of Messrs. Joseph Williger and Zwi Williger is c/o the Company, 4 Nahal Harif St., Northern Industrial Zone, Yavne, 81106 Israel.

(2) Includes 7,305,201 Ordinary Shares owned by Willi-Food. Messrs. Zwi Williger and Joseph Williger serve as directors and executive officers of Willi-Food and of the Company.

In August 2007, the Company announced the sale by Messrs. Zwi Williger and Joseph Williger of approximately 42% of the outstanding shares of Willi-Food to Mr. Arieh Bar Lev (Arcadi Gaydamak) ("Gaydamak"). On September 24, 2008, each of the Williger Management Companies exercised its call option rights on shares in Willi-Food and warrants (series 2) certificates to acquire shares in Willi-Food that were held by Gaydamak and were granted by Gaydamak to the Williger Management Companies as security for loans that each made to Gaydamak. As a result, Zwi Williger (through his management company Zwi W & Co. Company Ltd.) acquired 2,059,539 additional shares of Willi-Food and 150,000 additional warrants (series 2) certificates of Willi-Food, and Joseph Williger (through his management company Yossi Willi Management & Investments Ltd.) acquired 2,059,538 additional shares of Willi-Food and 150,000 additional warrants (series 2) certificates of Willi-Food.

Loans from the Williger Management Companies to Gaydamak were made under separate loan and option agreements signed on August 31, 2008, pursuant to which each of the Williger Management Companies loaned NIS 38 million to Gaydamak. Each loan was secured by securities in several companies, including a first priority lien on 2,059,539 (2,059,538 in the case of Yossi Willi Management & Investments Ltd.) shares of Willi-Food (50% of Gaydamak's total Willi-Food shares) and on 150,000 warrants (series 2) certificates (50% of Gaydamak's total Willi-Food warrants (series 2) certificates). Under the loan and option agreements, the Williger Management Companies were granted call rights to acquire any or all of the securities on the occurrence of a default.

All of the shareholders of the Company (including Willi-Food) have the same number of votes for each ordinary share held. Accordingly, the major shareholders of the Company, Willi-Food, do not have voting rights that are different from those of the Company's other shareholders. The Company believes that 5,164,637 Ordinary Shares (approximately 39.81% of its outstanding Ordinary Shares) are held by persons who are not officers, directors or the owners of 10% of the Company's outstanding Ordinary Shares. As of April 3, 2012, there were 16 holders of Ordinary Shares of record registered with a United States mailing address, including banks, brokers and nominees. These holders of record, including a part of the Company's shares held by Willi-Food through brokers, represented as of April 3, 2012, approximately 74% of the total outstanding Ordinary Shares. Because these holders of record include banks, brokers and nominees, the beneficial owners of these Ordinary Shares may include persons who reside outside the United States.

B. RELATED PARTY TRANSACTIONS

Management Service Agreements.

For information regarding Management Services Agreements with Mr. Zwi Williger, Chairman of the Board of Directors of the Company, and Mr. Joseph Williger, a director and President of the Company, through Williger Management Companies, see "Item 6. Directors, Senior Management and Employees - 6B. Compensation - Management Service Agreements".

Services to Willi-Food

The Company has been providing certain services to Willi-Food on an on-going basis since the Company's commencement of operations, including office space and certain management, financial and administrative services. On April 1, 1997, the Company entered into a service agreement with Willi-Food, which became effective as of May 19, 1997, the effective date of the Company's initial public offering. Pursuant to this agreement, Willi-Food is entitled to manage its operations from the Company's executive offices in Yavne, including use of office facilities.

The Company also agreed to provide Willi-Food with accounting and secretarial services. In consideration for the use of the Company's facilities and such other services, Willi-Food agreed to pay the Company a monthly fee equal to NIS 6,683 (USD 1,883) plus VAT. This fee is payable quarterly and is linked to the Israeli CPI. The agreement is for an unlimited term, and is mutually terminable upon three months prior notice. The Company believes that the fees for these services and the terms of such agreement are no less favorable to it than could be obtained from an unaffiliated third party.

In light of the recent enactment of Amendment No. 16, an agreement with a controlling shareholder, such as the Company's service agreement with Willi-Food, must be approved every three years by the Audit Committee, Board of Directors and by a special majority of the General Meeting of Shareholders. Willi-Food is the parent company of the Company and is the controlling shareholder of the Company. On October 6, 2011 following the unanimous approval of the Company's Audit Committee and Board of Directors, the General Meeting of Shareholders of the Company approved the extension of the above service agreement, from November 15, 2011 until November 14, 2014.

As of April 1, 1997, the Company and Willi-Food entered into an agreement pertaining to the allocation of corporate opportunities which may arise from time to time. The agreement provides that Willi-Food will make available and provide a right of first refusal to the Company with regard to any corporate opportunity offered to Willi-Food, which relates to the food business.

On March 31, 2003, the Board of Directors authorized Willi-Food to participate in the import license lottery of the Israeli Ministry of Industry and Trade, provided that Willi-Food agreed that if it wins an import license it will: (i) coordinate with the Company the items of merchandise to be imported using the import license; and (ii) in consideration for the transfer of the merchandise that is imported using the import license, the Company will sell the merchandise, retaining 20% of the selling proceeds for itself and transferring the balance, if any, to Willi-Food. The Board of Directors determined that this arrangement is not an extraordinary transaction. In 2011, the amount retained by the Company pursuant to this arrangement was NIS 27.5 thousand (USD 7.2 thousand).

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

The financial statements required by this item are found at the end of this report, beginning on page F-1.

Dividend Policy

On November 21, 2005, the Board of Directors of the Company declared a cash dividend of NIS 0.55 (USD 0.15) per share (or an aggregate of NIS 4,754 thousand (USD 1,340 thousand)) payable to its shareholders of record as of January 11, 2006. The cash dividend was paid on January 25, 2006.

Apart from the abovementioned, the Company has never declared or paid cash dividends on its ordinary shares. The Company may declare cash dividends in the future, depending on its financial and operational condition and on its expansion strategy.

Legal Proceedings

(1) On February 21, 2007, a lawsuit was filed against Gold Frost by Cukierman & Co. Investment House Ltd. in the Tel Aviv-Jaffa Magistrates Court in the amount of NIS 273,852, claiming nonpayment of fees for professional services rendered. A statement of defense was filed. The Company's legal counsel estimate that the Company has a reasonable chance to defend itself but at the same time, the Company's legal counsel believe Gold Frost will have to pay a certain amount and therefore the Company's financial statements include a provision for a certain sum of the claim.

(2) In September 2007, Thurgeman Construction Co. Ltd. ("Thurgeman") filed a claim against the Company in the District Court of Tel Aviv for the amount of NIS 4,449 thousand (plus VAT) (USD 1,253 thousand) regarding a dispute in connection with the construction of the Company's logistics center in Yavne (the "Project") pursuant to a contract between the parties, dated as of September 9, 2005. Under the terms of the contract, Thurgeman was to serve as the operating contractor for the construction of the frame and the surrounding portions for the construction of the Project.

During the course of construction on the Project, the parties raised several claims against each other in connection with the progress of construction on the Project. The Company claimed that Thurgeman grossly violated the terms of the contract by continuous delays in the completion of the Project, and by performing the construction work in a negligent and unprofessional manner and with inferior quality. Thurgeman counterclaimed that it performed the construction work according to the terms of the contract and that any delays in the work were not caused through any

fault of Thurgeman. Furthermore, Thurgeman claimed that the Company withheld certain payments to which Thurgeman was entitled for additional work on the Project, causing Thurgeman damages.

At the end of November 2007, the Company filed a statement of defense, which included a counterclaim against Thurgeman and its executive, Dotan Thurgeman, which contained among other things, a claim of defamation, a claim for damages caused by the delay in delivery of the completed Project, and damages caused by Thurgeman's poor and careless work on the Project. The sum of the damages claimed by the Company in the counterclaim was NIS 5 million (USD 1.4 million). In February 2008, Thurgeman filed a response to the counter claim.

Both the plaintiffs and the Company filed their summations. The Company estimates that there is a chance the court will accept some of the plaintiff's claim, and therefore the Company's financial statements include a provision of a part of the claim in the fixed assets.

(3) On July 7, 2008, WF filed a lawsuit in the Supreme Court of the State of New York, County of New York, against Laish Israeli Food Ltd. (“Laish”), Laish Dairy Ltd., 860 Nostrand Associates LLC., Arie Steiner, Eli Biran (WF's former CEO) and others. WF asserted claims of, inter alia, fraud, conversion and breach of contract against the seller and former principal of Laish. Certain of those defendants moved to dismiss the complaint based on the execution of a 2007 settlement agreement. That motion was denied in 2009. The matter was also stayed pending resolution of an arbitration with Mr. Biran. Discovery has been ongoing and is almost complete. In addition, those defendants who initially moved to dismiss the complaint filed a motion requesting that the Court reconsider its denial of their motion to dismiss based on recent decisions of New York’s Court of Appeals. Following such application, the court has now dismissed those claims which were the subject of the settlement agreement.

On August 27, 2008, 860 Nostrand Associates LLC. (a company owned by the seller and former principal of Laish) filed a lawsuit against the Company claiming that the Company is liable to it as a guarantor of a certain lease that was allegedly signed by WF in January 2008. The Company has disputed the validity of the lease and guarantee. Damages are being sought in the amount of $735,000 plus legal fees.

The two cases have been consolidated for discovery and a joint trial. Discovery is scheduled to be completed in May 2012. Following the completion of discovery we expect that the Court will set a trial date. At the current stage of the dispute, the Company's management and legal counsel cannot assess the chances of the parties.

(4) On September 22, 2008, a lawsuit was filed against the Company, WF and one of the Company's officers by several WF's Israeli vendors in the Tel Aviv-Jaffa Magistrates Court in the amount of NIS 1,349,899 (USD 357,589), claiming nonpayment of WF for food products that they allegedly supplied to WF. A statement of defense was filed. The Company's management and legal counsel believe that the lawsuit against Company and the Company's officer are without merit, and they intend to vigorously defend against such claims. The amount of the claim is included in WF's financial statements under trade payables item.

(5) Since May 2009, the Company was involved in a dispute with the selling shareholders of Shamir (the "Sellers"). As part of arbitration proceedings in December 2011, the Company reached a settlement with those shareholders. As a result the parties reached the agreement, whereby the Company sold its entire 51% ownership interest in Shamir to other shareholders of Shamir. Pursuant to the agreement, the Company was also released from any guarantees provided to banks or other entities regarding payment of Shamir promissory notes.

As a result of the agreement, mutual claims made by parties in the arbitration proceeding were cancelled without any order for expenses, and each party waived its right to bring additional court proceedings or claims regarding this matter.

Other than as stated above, there is no pending or, to the Company's knowledge, threatened legal proceedings, the outcome of which, in the Company's view, would have a material adverse affect on the Company's consolidated financial position.

For information concerning taxes to which stockholders in the United States may be subject, see "Item 10. Additional Information- Taxes".

B. SIGNIFICANT CHANGES

We are not aware of any significant changes bearing upon our financial condition since the date of the audited consolidated financial statements included in this Annual Report.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares have been traded on the Nasdaq Capital Market since May 19, 1997. On March 15, 2006, the ticker symbol of our ordinary shares was changed from "WILCF" to "WILC". The warrants that were issued as part of our initial public offering in May 1997 expired in May 2000.

The following table sets forth for the periods indicated the closing representative high and low bid quotations of our ordinary shares as reported by Nasdaq and adjusted according to the split by bonus share which took place on December 2004. The bid quotations are expressed in United States Dollars and are not adjusted for retail mark-up, mark-down or commissions and do not necessarily represent actual transactions.

Calendar Period	Ordinary Shares	
	High	Low
2012		
Second Quarter (through April 27, 2012)	4.68	4.28
First Quarter	5.01	4.43
2011	6.05	4.4
First Quarter	7.9	6.55
Second Quarter	7.85	6.94
Third Quarter	7.1	5.55
Fourth Quarter	6.05	4.4
2010	7.10	5.42
First Quarter	7.10	5.76
Second Quarter	6.07	5.42
Third Quarter	6.47	5.60
Fourth Quarter	6.95	6.23
2009	6.30	0.86
2008	6.95	1.39
2007	8.90	5.20

April 2012 (through April 27, 2012)	4.68	4.28
March 2012	5.01	4.43
February2012	5.00	4.60
January 2012	4.86	4.52
December 2011	4.72	4.40
November 2011	5.65	4.53
October 2011	6.05	5.63

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

In May 1997, our ordinary shares began trading on the Nasdaq Capital Market under the symbol "WILCF". On March 15, 2005, the Company's NASDAQ ticker symbol was changed to "WILC".

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES ON THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Purposes and Objects of the Company

We are a public company registered under the Israeli Companies Law as G. Willi-Food International Ltd., registration number 52-004320-9.

Pursuant to Article 6 of our articles of association, we were formed for the purpose of importing, exporting and marketing products and other commodities. Our Board of Directors is empowered to embark on or withdraw from any business in which we deal. Under our articles of association, our Board of Directors is entitled to donate reasonable amounts to worthy causes, even if such donation is not within the framework of our business considerations.

On October 6, 2011 our shareholders approved amendments to the Company's Articles of Association in order to comply with the recent Amendment No. 16.

The Powers of Directors

The powers of a Director to vote on a proposal, arrangement or contract in which such Director is materially interested is limited by the relevant provisions of the Israeli Companies Law. In addition, the power of the Directors to vote compensation to themselves or any members of their body requires the approval of the Audit Committee and the shareholders at a general meeting, in addition to the approval of the Board of Directors. Compensation and indemnification of expenses of External Directors must be in accordance with the applicable provisions of the Israeli Companies Law.

The Israeli Companies Law and our Articles of Association require that a Director or Office Holder promptly disclose, either at a board meeting or by way of a general notice, any personal interest that he or she may have and all related material information know to him or her in connection with any existing or proposed transaction by the Company. In addition, if the transaction is an extraordinary transaction (as defined in the Israeli Companies Law), the member of the Board of Directors or Office Holder, must also disclose any personal interest held by his or her spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing.

Once the Director or Office Holder complies with the above disclosure requirements, the Company may approve the transaction in accordance with the provisions of the Articles of Association. If the transaction is with a third party in which the member of the Board of Directors or Office Holder has a potential interest, the approval must confirm that the transaction is not adverse to the Company's interest. Furthermore, if the transaction is an extraordinary transaction, then, in addition to any approval stipulated by the Articles of Association, it also must be approved by the Audit Committee and then by the Board of Directors, and, under certain circumstances, by a meeting of the shareholders of the Company. See "Item 6. Directors, Senior Management and Employees - 6C. Board Practices – Approval of Related Party Transactions under the Israeli Companies Law".

Directors with respect to whom the foregoing matters are brought for Board of Directors or Audit Committee approval are not entitled to be present during discussions of, nor to participate in the vote for approval of, such matters at Board and/or Audit Committee meetings, unless a majority of Audit Committee or Board members, as the case may be, have a personal interest in such matter or the matter involves non-extraordinary transactions between the company and either a Director or a third party in which a Director has a personal interest. The Israeli Companies Law further provides that in the event that a majority of board members have a personal interest in such a matter, shareholder approval is also required.

The Articles of Association provide that the Board of Directors, subject to the Israeli Companies Law, may, at its discretion from time to time in accordance with the needs of the Company, make decisions to borrow and/or obtain credit facilities in any amount and to secure the repayment thereof either by mortgage, charge or other security on the Company's undertakings or on its property, in whole or in part (both existing and future) including the share capital of the company which is, at the time, uncalled.

Subject to applicable provisions of the Israeli Companies Law regarding matters that the Board of Directors may not delegate to a committee, or matters for which a committee may only make recommendation to the Board of Directors,

the Board of Directors may delegate its powers to committees consisting of at least three (3) Directors, including at least one External Director. A resolution passed or an action taken by a directors' committee has the same validity as a resolution passed or an action taken by the Board of Directors, unless otherwise specifically expressed in the resolution of the Board of Directors that established said committee.

Rights Attached to Shares

The Company is authorized to issue 49,893,520 Ordinary Shares, par value NIS 0.10 and 106,480 Preferred Shares, par value NIS 0.10, each ranking pari passu. The Company may alter the share capital of the Company in accordance with the provisions of the Israeli Companies Law and the Articles of Association. The rights attached to the Company's Shares are as follows:

Dividend Rights

Holders of Ordinary Shares are entitled to participate pari passu with all other shareholders of the Company's Ordinary Shares in any distribution of a dividend, whether in cash, assets, or in any other legal form, declared, as well as the right to participate pari passu with all other holders of our Ordinary Shares in the distribution of bonus shares resolved by the Company. The Articles of Association note that a shareholder shall not be entitled to receive a dividend or bonus shares as above, and shall not be entitled to exercise any right as a shareholder unless he has paid in full all notices of call delivered to him, together with linkage differences, interest and expenses owed, as applicable, on calls which have not been paid by him on time.

Voting Rights

Holders of Ordinary Shares of the Company have the right to receive notices of general meetings of the Company, to be present, and to participate and vote therein. Each holder of Ordinary Shares in the Company has the right to one vote per share in the general meetings of the Company on all matters submitted to a vote of shareholders. A shareholder may vote in person, via proxy, or by means of a written form ("Voting Instrument") described in the Articles of Association. Any resolution of the Company in a general meeting shall be deemed duly passed if passed by a simple majority of registered shareholders present and voting, unless a different majority is required by the Israeli Companies Law or the Articles of Association.

Under the Articles of Association, the Directors are elected annually by the registered shareholders at the annual meeting. Directors hold office until the conclusion of the next annual meeting or until their earlier removal or resignation. In addition, at least two (2) External Directors who comply with the qualifications described in the Israeli Companies Law must serve on the Board of Directors. External Directors are appointed by a majority vote at a general meeting, provided that: (i) the majority vote includes at least a majority of the shares of non controlling shareholders who meet certain non-affiliation criteria, as described in the Israeli Companies Law, voted at the meeting, with abstentions not taken into consideration in calculating the total number of the non-controlling shareholders, and (ii) the total number of shares of such non-controlling shareholders referred to in clause (1) voting against the resolution appointing an External Director is not more than two percent (2%) of the overall voting rights in the Company. External Directors are appointed for a term of three (3) years and their office may be extended by a resolution of the general meeting for an additional two-three (3) years. An External Director may be removed from office only in accordance with the relevant provisions of the Israeli Companies Law.

If no Directors are elected at an annual meeting, then the persons who served as Directors immediately prior to the annual meeting will continue to serve as directors unless otherwise determined by the annual meeting or by the Board of Directors. A Director who has ceased to serve in office is eligible for reelection. The Board of Directors has the power to appoint additional Directors to fill a vacancy, so long as the number of directors will not exceed a number of Directors approved at a general meeting. Any Director so appointed will hold office until the conclusion of the next annual meeting unless he is removed or resigns earlier.

Rights in the Company's Profits

The shareholders of the Company have the right to share in the Company's profits distributed as a dividend and any other permitted distribution. See "Dividend Rights" above.

Rights in the Event of Liquidation

Holders of Ordinary Shares are entitled to receive any return of capital, pari passu, with all other ordinary shareholders, upon the dissolution of the Company. Holders of Ordinary Shares are also entitled to participate, pari passu, with all other Ordinary Shareholders in the distribution of the surplus of the Company's assets available for distribution in the event of dissolution of the Company which remain after the Company has paid the holders of Ordinary Shares all amounts payable as return of capital.

Liability to Further Capital Calls by the Company

If the terms of allotment of any shares of the Company do not specify a particular date for the payment of all of the consideration which is to be paid therefore, or any part thereof, our board of directors may, from time to time, as it deems fit, make calls on the shareholders in respect of the amounts not yet paid for their shares, whether on account of the par value of the shares or on the account of the premium, and each shareholder shall be obligated to pay the Company the amount so demanded from him not later than the date of payment set forth in the notice containing the call. Shareholders shall be given prior notice of at least fourteen (14) days in respect of any call. In the event that amounts set forth in the call have not been paid in whole or in part as of the date of payment set forth in the call, the shareholders shall be obligated to pay linkage differences or interest (or both) on the outstanding amounts, as determined by the Board of Directors.

Changing Rights Attached to Shares

Under the Articles of Association, the Company may, by resolution of a general meeting, vary the rights attached to any class of shares on the Company's stamp or its printed name (unless otherwise determined in the terms of issue of the shares of such class), after obtaining the written consent of the holders of the majority of the issued shares of said class or with the approval of a resolution duly passed at a class meeting of the holders of such class of shares.

Annual and Extraordinary Meetings

The Board of Directors must convene an annual meeting at least once every calendar year, within fifteen months of the preceding general meeting, at a place prescribed by the board so long as it is in the State of Israel. Per the Articles of Association and subject to the provisions of the Israeli Companies Law, notices to shareholders regarding the convocation of a general meeting are to be published in two daily Hebrew language newspapers circulated in Israel. Notice need not be served to our shareholders on an individual basis.

The Board of Directors will convene a special, extraordinary meeting upon receipt of a written request from either (i) two directors or 25% of the total number of directors; (ii) one or more shareholders holding at least 5% of the issued share capital and at least 1% of the shareholders' voting power; or (iii) one or more shareholders holding no less than 5% of our issued voting shares. If the Board is required to convene an extraordinary meeting, it shall convene it at a time which is at least 21 days, but not longer than 35 days after the date of the notice of convening such meeting. In the event that the board of directors does not convene an extraordinary meeting within the timeframe set forth above, those that submitted the request for such meeting, or part of them representing more than one-half of the voting rights of all of them, may convene the extraordinary meeting themselves, provided that such meeting is held within three months of the time when the extraordinary meeting was requested.

Limitations on the Rights to Own Securities

The Articles of Association do not place limitations on the rights to own securities. Under the Articles no limitations apply to the transfer of shares in the Company and the number of shareholders is unlimited.

Changes in the Company's Capital

Changes in the capital of the Company are subject to the approval by ordinary majority of the shareholders at a general meeting, Shareholders may resolve to increase the authorized share capital; consolidate our share capital and divide it into shares of greater value than existing shares; divide existing shares into shares of lesser value; cancel any authorized share capital which has not yet been allotted (provided there is no undertaking to allot such share capital); or reduce the capital by way of a distribution if such distribution has been approved by a court, in accordance with the relevant provisions of the Israeli Companies Law. If the shareholders resolve to increase the share capital, the new shares will be subject to the same provisions applicable to the shares of the original capital.

Neither the Memorandum of Association nor Articles of Association of the Company nor the laws of the State of Israel restrict in any way the ownership or voting of ordinary shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel.

C. MATERIAL CONTRACTS

Set forth below are summaries of our material contracts. Because these are summaries, they are qualified by reference to the actual agreements, which are attached as exhibits to this Annual Report.

Agreement with Baron Family to Form Global Kosher Trade and Export Company. On February 13, 2007, the Company signed an agreement with the Baron family (an unrelated third party), kosher food exporters located in Israel, to form a joint global kosher trade and export company - Baron. The Company held a 50.1% interest in Baron, and the Baron family held the remaining interest. Under the terms of the agreement, all of the current food export operations of the Baron family were to be executed under the new entity.

Under the terms of the agreement, the new entity was to be managed by Lior Baron, as CEO, and Yaakov Baron, as Chairman, and the board of directors was to consist of four members – the CEO, Chairman, Zwi Williger and Joseph Williger. The parties agreed that in the event of a dispute regarding ordinary course business matters the representatives of Willi-Food on the board will have three votes, rather than two. Under the terms of the agreement, in consideration for the 50.1% interest, the Company paid $1 million in owner's loans that was converted into equity on April 1, 2008.

Under the agreement, the Baron family was to be engaged in the food export activities which involved the export of kosher products from more than 100 suppliers, predominantly from Israel, to the U.S., Canada, England, Belgium,

France, Switzerland, Australia, South Africa, Mexico, Argentina and Chile. Product categories currently exported include candies, preserves, cakes and cookies, snacks, cereals, frozen pastries and ice creams, baby food and general grocery items.

On September 2, 2009, the Company signed an agreement to sell all of its holdings in Baron and to assign all of its rights and obligations to the Baron family. In exchange for the sale of shares and the assignment of rights and obligations, the Baron family agreed to pay US$ 937,500, which was paid to the Company on the date of execution of the agreement. As a result of the sale of the shares of Baron the Company recognized a capital loss of NIS 1.5 million (USD 0.4 million).

Agreement with the owners of a manufacturer and global distributor of kosher dairy products to form a new Company. In October 2007, the Company's subsidiary, Gold Frost, signed a binding letter with the owners of a manufacturer and global distributor of kosher dairy products (the "Distributor"), who are based in Denmark, to form a new joint company ("Kirkeby"). Gold Frost held a 51% interest in Kirkeby, and the owners of the distributor held the remaining interest. A significant aspect of this transaction is the fact that Kirkeby has a US dairy import license.

As part of the transaction, the Distributor transferred to Kirkeby $200 thousand as well as 35 customers from 15 countries worldwide, including a US import license. Kirkeby was granted the exclusive right to use the distributor's trademarked brand name in sales and marketing of kosher products. The Distributor retained the right to use its trademarked brand name for non-kosher dairy products. It is intended that ultimately Kirkeby will seek to broaden its penetration into the kosher European and North American markets. In consideration for the 51% interest in Kirkeby, Gold Frost paid at the closing $400 thousand to the Distributor. In June 2009, Gold Frost signed an agreement to sell its 51% interest in Kirkeby to Kirkeby and/or to the former owner for $400,000. According to the terms of the agreement, an amount equal to the balance of outstanding invoices owed by Gold Frost to Kirkeby was deducted as a down payment, and the remainder was paid by deducting in the purchase price by a pre-determined amount for each shipment of goods that Gold Frost purchased from Kirkeby or from the former owner, and the balance of the consideration was paid to Gold Frost until April 2011.

Acquisition of Shamir Salads (2006) Ltd. In the first quarter of fiscal 2008, The Company purchased 51% of the interest of Shamir, an Israeli manufacturer and distributor of pre-packaged chilled kosher Mediterranean dips and spreads in Israel and abroad pursuant to the acquisition agreement of Shamir (the "Shamir Agreement").

Since May 2009 the Shamir Agreement was subject to dispute and legal proceedings. The dispute was settled in December 2011 and as a result of the settlement the Company sold its entire 51% ownership interest in Shamir.

Public Offering in March 2010. On March 17, 2010, the Company completed a public offering of its ordinary shares. The Company issued a total of 3,305,786 ordinary shares at a purchase price of $6.05 per share, and the Company also granted to the underwriter an option, that was exercisable within 30 days from the date of the public offering, to purchase up to an additional 330,579 ordinary shares. As to the date of this report the option was expired. After deducting closing costs and fees, the Company received net proceeds of approximately $19.0 million.

For information with respect to the Company's other material contracts, see "Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions."

D. EXCHANGE CONTROLS

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of our ordinary shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect, pursuant to which currency controls can be imposed by administrative action at any time and from time to time.

E. TAXATION

The following is a discussion of certain material Israeli tax consequences to purchasers of our ordinary shares. The discussion also contains a description of certain relevant material provisions of the current Israeli income tax system applicable to companies in Israel, with special reference to its effect on us. To the extent that the discussion is based on new tax legislation that has not been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion.

This discussion applies to shareholders that hold our ordinary shares as capital assets and does not address all of the tax consequences that may be relevant to holders of our ordinary shares in light of their particular circumstances or certain types of holders of our ordinary shares subject to special tax treatment. Because individual circumstances may differ, shareholders should consult their tax advisor to determine the applicability of the rules discussed below to them, including the application of Israeli or other tax laws. The discussion below is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership and disposition of the Shares including, in particular, the effect of any foreign, state or local taxes.

Taxation of Israeli Companies

General Corporate Tax Structure

Generally, Israeli companies are subject to corporate tax at the rate of 24% for the 2011 tax year and 25% for the 2012 tax year. Israeli companies are generally subject to capital gains tax at the corporate tax rate. Following an amendment to the Israeli Income Tax Ordinance which came into effect on January 1, 2012, scheduled gradual reduction of the corporate tax rate in future years was canceled, and the corporate tax rate was increased to 25% for the 2012 tax year and is scheduled to remain at such rate for future tax years.

Amendment No. 174 to the Income Tax Ordinance, enacted in January 2010, provides that Israeli Accounting Standard No. 29 will not apply with respect to the tax years 2007, 2008 and 2009, and as a result the International Financial Reporting Standards (IFRS) will not apply for purposes of determining taxable income for such tax years. In January 2012, Amendment No. 188 to the Income Tax Ordinance was enacted which provides that Israeli Accounting Standard No. 29 (and as a result IFRS) will not apply also with respect to the tax years 2010 and 2011. The effect of this amendment on our financial statements, included elsewhere in this annual report, is not material.

Special Provisions Relating to Taxation under Inflationary Conditions

The Income Tax Law (Inflationary Adjustments), 1985 (the "Inflationary Adjustments Law") is designed to neutralize the erosion of capital investments in businesses and to prevent tax benefits resulting from the deduction of inflationary financial expenses. The Inflationary Adjustments Law applies a supplementary set of inflationary adjustments to the normal taxable profit computed according to regular historic cost principles. Generally, the Inflationary Adjustments Law provides tax deductions and adjustments to depreciation deductions and tax loss carry forwards to mitigate the effects resulting from an inflationary economy. Until 2008, our taxable income was determined under the Inflationary Adjustments Law.

In February 2008, the Israeli Parliament passed an amendment No. 20 to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Starting 2008, the results for tax purposes is measured in nominal values, excluding certain adjustments for changes in the Consumer Price Index carried out in the period up to December 31, 2007. The amended law includes, inter alia, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting 2008

Capital Gains Tax on Sales of Our Ordinary Shares

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli resident companies, by non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. In calculating capital gain, the law distinguishes between real gain and inflationary surplus. The inflationary surplus is the portion of the total capital gain equal to the increase in the relevant asset's value that is attributable to the increase in the Israeli CPI between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus. A non-resident that invests in taxable assets with foreign currency, or any individual who holds securities the price of which is stated in foreign currency, may elect to calculate the amount of inflationary surplus in that foreign currency.

Taxation of Israeli Residents

As of January 1, 2012, the tax rate generally applicable to real capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain will generally be taxed at a rate of 30%. Additionally, if such shareholder is considered a significant shareholder at any time during the 12-month period preceding such sale, the tax rate will be 30%. For this purpose, a significant shareholder is one that holds, directly or indirectly, including with others, at least 10% of certain means of control in a company.

Israeli companies are generally subject to the corporate tax rate (see above) on capital gains derived from the sale of shares listed on a stock market.

Taxation of Non-Israeli Residents

Non-Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on the Tel Aviv Stock Exchange or a recognized stock exchange outside of Israel (including the New York Stock Exchange), provided that such shareholders did not acquire their shares prior to the issuer's initial public offering (in which case a partial exemption may be available) and that the gains were not derived from a permanent establishment maintained by such shareholders in Israel. Shareholders that do not engage in activity in Israel generally should not be subject to such law. However, a non-Israeli corporation will not be entitled to the exemption from capital gains tax if Israeli residents (i) have a controlling interest of 25% or more in such non-Israeli corporation or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, under the Convention between the Government of the United States of America and the Government of Israel with respect to Taxes on Income, as amended, referred to as the U.S.-Israel tax treaty, the sale of our ordinary shares by a shareholder who qualifies as a resident of the United States within the meaning of the U.S.-Israel tax treaty and who is entitled to claim the benefits afforded to such person by the U.S.-Israel tax treaty, referred to as a treaty U.S. resident, and who holds its ordinary shares as a capital asset is also exempt from Israeli capital gains tax unless either (i) the treaty U.S. resident holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the treaty U.S. resident that is located in Israel. However, under the U.S.-Israel tax treaty, a treaty U.S. resident would be permitted to claim a credit for taxes paid in Israel against the U.S. federal income tax imposed on the sale, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel tax treaty does not relate to U.S. state or local taxes.

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Taxation of Dividends Paid on Our Ordinary Shares

Taxation of Israeli Residents

Following an amendment to the Israeli Income Tax Ordinance which came into effect on January 1, 2012, individuals who are Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% (previously 20%), unless the recipient is a significant shareholder (as defined above) at any time during the 12-month period preceding the distribution in which case the applicable tax rate will be 30% (previously 25%). The company distributing the dividend is required to withhold tax at the rate of 25% (previously 20%) (a different rate may apply to dividends paid on shares deriving from the exercise of stock options or other equity based awards granted as compensation to employees or office holders of the company). Companies which are Israeli residents are generally exempt from income tax on the receipt of dividends from another Israeli company, unless the source of such dividends is located outside of Israel in which case tax will generally apply at a rate of 25%.

Taxation of Non-Israeli Residents

Non-residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% unless the recipient is a significant shareholder at any time during the 12-month period preceding the distribution in which case the applicable tax rate will be 30%. The company distributing the dividend is required to withhold tax at the source at the rate of 25%.

Under the U.S.-Israel tax treaty, the maximum rate of tax withheld in Israel on dividends paid to a holder of our ordinary shares who is a treaty U.S. resident is 25%. The maximum rate of withholding tax on dividends that are paid in certain circumstances to a U.S. corporation holding 10% or more of our outstanding voting power throughout the tax year in which the dividend is distributed as well as the previous tax year, is 12.5%.

A non-resident of Israel who has dividend income derived from or accrued in Israel, from which tax was withheld at source, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by such non-Israeli resident.

U.S. Federal Income Tax Considerations

The following is a general discussion of certain material U.S. federal income tax consequences of ownership and disposition of the Company’s shares by a “U.S. holder” (as defined below). This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a U.S. holder in light of the holder’s particular circumstances and does not address U.S. state, local and non-U.S. tax consequences. The discussion applies only to U.S. holders (as defined below) that hold Company's shares as capital assets for U.S. federal income tax purposes and it does not describe all of the tax consequences that may be relevant to U.S. holders subject to special rules, such as certain financial institutions, insurance companies, dealers or traders in securities or foreign currencies, persons holding the shares as part of a hedge, straddle, conversion transaction or other integrated transaction, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, persons liable for the alternative minimum tax, tax-exempt organizations, shareholders that own or are deemed to own 10% or more of the Company’s voting power, or shareholders that hold our shares in connection with a trade or business conducted outside of the United States.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. Shareholders are urged to consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of Company's shares in light of their particular circumstances.

The discussion below applies only to U.S. holders. As used herein, a "U.S. holder" is a beneficial owner of the Company's shares that is eligible for the benefits of the Israel –U.S. income tax treaty and is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Company's shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the entity. Such entities and their partners or members should consult their tax advisors regarding the tax consequences of investments in the Company's shares.

Taxation of Distributions

Subject to the discussion in "- Passive Foreign Investment Company Rules" below, distributions paid on the Company's shares, other than certain pro rata distributions of ordinary shares, will be treated as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Since the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, U.S. holders will generally be required to treat such distributions as taxable dividends and include them in income on the date of receipt. Subject to applicable limitations, dividends paid to certain non-corporate U.S. holders in taxable years beginning before January 1, 2013, will be taxable at a maximum rate of 15%. The amount of a dividend will include any amounts withheld by the Company or its paying agent in respect of Israeli taxes. The dividend will be treated as foreign source income and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

Dividends paid in NIS will be included in a U.S. holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Such gain or loss would generally be treated as U.S. source ordinary income or loss.

Subject to applicable limitations that may vary depending upon a U.S. holder's particular circumstances, Israeli taxes withheld from dividends at a rate not exceeding the applicable rate provided by the U.S.-Israel income tax treaty will be creditable against the holder's U.S. federal income tax liability. Israeli taxes withheld in excess of the applicable rate allowed by the treaty will not be eligible for credit against a U.S. holder's federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Instead of claiming a credit, a U.S. holder may, at the holder's election, deduct the otherwise creditable foreign taxes in computing the taxable income for the year, subject to generally applicable limitations under U.S. law.

An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules governing foreign tax credits are complex and U.S. holders should consult their tax advisors regarding the availability of foreign tax credits and the deductibility of foreign taxes in their particular circumstances.

Sale and Other Disposition of the Company's Shares

Subject to the discussion in "- Passive Foreign Investment Company Rules" below, gain or loss realized on the sale or other disposition of the Company's shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. holder held the shares for more than one year. The amount of gain or loss will be equal to the difference between the tax basis in the shares disposed of and the amount realized on the disposition. Such gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

The Company believes that it was not a "passive foreign investment company" for U.S. federal income tax purposes, or PFIC, for the taxable year of 2011. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets (including, among others, equity investments in less than 25%-owned entities) from time to time, there can be no assurance that the Company will not be considered a PFIC for any taxable year. If the Company were to be treated as a PFIC for any taxable year during which a U.S. holder held a share in the Company, certain adverse consequences could apply to the U.S. holder. Specifically, gain recognized by a U.S. holder on a sale or other disposition of a share would be allocated ratably over the U.S. holder's holding period for the share. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income in the current year. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the resulting tax liability. Further, any distribution in excess of 125% of the average of the annual distributions received by the U.S. holder during the preceding three years or the U.S. holder's holding period, whichever is shorter, would be subject to taxation as described immediately above. Certain elections may be available (including a mark-to-market election) to U.S. holders that may mitigate the adverse consequences resulting from PFIC status. In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to certain non-corporate holders would not apply.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and backup withholding unless (i) the U.S. holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. holder provides a correct taxpayer identification number and certifies that the U.S. holder is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. holders who are individuals, or are controlled by individuals, may be required to report on IRS Form 8983 information relating to their holdings of the Company's shares, subject to certain exceptions (including an exception for securities held in accounts

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENTS BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, applicable to foreign private issuers and fulfills the obligation with respect to such requirements by filing reports with the Securities and Exchange Commission. You may read and copy any document we file with the Securities and Exchange Commission's public reference room at 100 F Street Northeast Washington, D.C. 20549. Copies of such material may be obtained by mail from the Public Reference Branch of the Securities and Exchange Commission at such address, at prescribed rates. Please call the Securities and Exchange Commission at l-800-SEC-0330 for further information on the public reference room.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, Directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as United States companies whose securities are registered under the Exchange Act.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange rate risk: The Company regularly assesses currency rate risks to minimize any adverse effects on the Company's business as a result of currency fluctuations.

The Company's foreign currency exposure gives rise to market risk associated with exchange rate movements of the NIS, the Company functional and reporting currency, against the USD and Euros. Most of the Company's purchases are denominated in USD and Euros, whereas its income and other expenses are denominated mostly in NIS. Consequently, devaluation of the NIS against the other currencies may cause a negative impact on the Company profit margins.

The Company strives to minimize market risks arising from exchange rates and the cost of imported goods, especially by opening wide documentary credits for suppliers abroad and holding foreign currency surpluses, initiates forward transactions and foreign currency options.

The table below details the sensitive analysis in respect to exposure relating to exchange rate risk:

	Gain (loss) from exchange rate change NIS(000)		Fair net NIS(000)	Gain (loss) from exchange rate change NIS(000)	
Change in	(10)%	(5)%		5%	10%
exchange rate USD	(1,230)	(615)	12,293	615	1,230
Change in	(10)%	(5)%		5%	10%
exchange rate EURO	(742)	(371)	7,425	371	742

Credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Despite the Company's large number of clients (over 1,500 in Israel and around the world), a major and significant part of its sales are made to only a limited number of customers (mainly in the organized market). The Company generally does not require and does not receive collateral from those major customers. However, it does require and receive collateral from most of the remainder of its clients to insure security of collecting payments. The Company maintains an allowance for doubtful debts, based upon factors surrounding the credit risk of specific customers, historical trends and other information which management believes adequately covers all anticipated losses in respect of trade receivables. There can be no assurance that this allowance will be adequate. In the event that any of the Company's major clients defaults on its payment obligations to us, the Company will not possess sufficient collateral to collect the entire debt. The Company strives to minimize the credit risks by constantly reviewing the credit it extends to customers versus the collateral it receives. As a result, the Company has ceased selling products to certain customers and considerably reduced sales to other customers, and may continue to do so in the future.

Interest rate risk: The Company invests part of its cash reserves in instruments that bear fixed interest rate. The Company, as part of its investing policy, invests part of its cash reserves in bonds and convertible debentures that bears fixed interest rate; as a result, the Company is espoused to changes in interest rates.

The table below details the sensitive analysis in respect to exposure relating to investment in instruments with fix interest rate:

	Gain (loss) from interest change $(000)		Fair value $(000)	Gain (loss) from interest change $(000)	
Change in Interest as % of interest rate	(10)%	(5)%		5%	10%
Increase\decrease in financial Income	26	13	3,100	(13)	(26)

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, are responsible for establishing and maintaining our disclosure controls and procedures (as defined in Rules13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). These controls and procedures were designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. We evaluated these disclosure controls and procedures under the supervision of our CEO and CFO as of December 31, 2011. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective to meet these objectives.

(b) Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management recognizes that there are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention provide only reasonable assurance with respect to financial statement preparation and presentation, and may not prevent or detect all misstatements. In addition, 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.

Our management (with the participation of the CEO and CFO) assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In conducting its assessment of internal control over financial reporting, management based its evaluation on the framework in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Tread way Commission. Our management has concluded, based on its assessment, that our internal control over financial reporting was effective as of December 31, 2011 based on these criteria.

(c) Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. -- AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that Ariel Herzfeld is the "Audit Committee Financial Expert" for the Company, as such term is defined in Item 16A of Form 20-F. Mr. Herzfeld serves on the Company's Audit Committee of the Board of Directors and is an "Independent Director" as defined in the Nasdaq listing standards applicable to us.

ITEM 16B. -- CODE OF ETHICS

A copy of the Code of Ethics for the Company that applies to all directors, officers and other employees of the Company is available for review on the Company's website at www.willi-food.com.

ITEM 16C. -- PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the aggregate fees for professional services and other services rendered by Brightman Almagor Zohar & Co. in Israel, a member of firm of Deloitte Touche Tomhatsu, to the Company in 2011 and 2010.

	NIS 2011	NIS 2010	USD 2011	USD 2010
Audit Fees (1)	310,000	360,000	81,131	94,216
Tax Fees (2)	-	-	-	-
Prospectus	-	18,500	-	4,842
TOTAL	310,000	378,500	81,131	99,058

(1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor can reasonably provide, and include the company audit; statutory audits; comfort letters and consents; attest services; and assistance with and review of documents filed with the SEC.

(2) Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits, tax advice related to mergers and acquisitions, transfer pricing, and requests for rulings or technical advice from

taxing authority.

ITEM 16D. -- EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. -- PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS

Below is a list of purchases of the Company's ordinary shares by affiliated purchasers during calendar year 2011 and from January 1, 2012 to April 1, 2012.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under Plans or Programs
The Company				
November 2011	305,600	4.965	305,600	$ 3,464,288
December 2011	247,719	4.521	247,719	$ 2,329,364
January 2012	29,245	4.580	29,245	$ 2,193,653
February 2012	16,870	4.690	16,870	(*)
Willi-Food				
February 2012	67,403	4.966	67,403	$ 4,665,261
March 2012	64,039	4.943	66,061	$ 4,339,928

(*) In February 2012, in light of the global and Israeli economic situations and the foreseeable recession, the Company terminated its repurchase program in order to focus its resources on developing its core business activity.

ITEM 16F. -- CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The following are the significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the Nasdaq:

- Executive Sessions – Under Nasdaq rules, U.S. domestic listed companies, must have a regularly scheduled meetings at which only independent directors are present. We do not have such executive sessions.

- Compensation of Officers - Under Nasdaq rules, executive compensation must be determined or recommended to the Board for determination by a compensation committee comprised solely of independent directors or by independent directors constituting a majority of the Board's independent directors. Not all of our executive compensation is determined in this manner.

-

Nominations of Directors - Under Nasdaq rules, U.S. domestic listed companies, must have a nominations committee comprised solely of independent directors and must have director nominees selected or recommended by a majority of its independent directors. Our directors are not nominated in this manner.

- Nominations Committee Charter or Board Resolution - Under Nasdaq rules, U.S. domestic listed companies, must adopt a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws. We do not have such a formal written charter or board resolution.

Quorum - Under Nasdaq rules, U.S. domestic listed companies by-laws provide for a quorum of at least 33 1/3 percent of the outstanding shares of the company’s common voting stock. According to our articles our quorum should be at least 25 percent of the outstanding shares of our common voting stock.

- Review of Related Party Transactions: Under NASDAQ Listing Rules, domestic listed companies must conduct an appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company’s audit committee or another independent body of the board of directors. Although Israeli law requires us to conduct an appropriate review and maintain oversight of all related-party transactions similar to the NASDAQ Listing Rules, we follow the definitions and requirements of the Companies Law in determining the kind of approval required for a related-party transaction, which tend to be more rigorous than the NASDAQ Listing Rules.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this Item.

ITEM 18. FINANCIAL STATEMENTS

The financial statements required by this item are found at the end of this annual report, beginning on page F-1.

ITEM 19. EXHIBITS

Exhibit Number	Description
†1.1	Memorandum of Association of the Company, as amended (1)
1.2	Articles of Association of the Company, as amended on July 20, 2005 (4)
1.3	Articles of Association of the Company, as amended on October 6, 2011 (*)
2.1	Specimen of Certificate for ordinary shares (2)
4.1	Share Option Plan (2)
†4.2	Management Agreement between the Company and Yossi Willi Management Investments Ltd., dated June 1, 1998 (3)
†4.3	Amendment to the Management Agreement between the Company and Yossi Willi Management Investments Ltd., dated August 1, 2005 (4)
†4.4	Amendment to the Management Agreement between the Company and Yossi Willi Management Investments Ltd., dated October 23, 2011 (*)
†4.5	Management Agreement between the Company and Zwi W. & Co. Ltd., dated June 1, 1998 (3)
†4.6	Amendment to the Management Agreement between the Company and Zwi W. & Co., Ltd., dated August 1, 2005 (4)
†4.7	Amendment to the Management Agreement between the Company and Zwi W. & Co., Ltd., dated October 23, 2011 (*)
†4.8	Lease of Company's premises with Titanic Food Ltd., dated November 23, 1998 (3)
†4.9	Services Agreement between the Company and Willi-Food, dated April 1, 1997 (3)
†4.10	Transfer Agreement between the Company and Gold Frost dated February 16, 2006 (4)
†4.11	Lease agreement for Logistics Center between the Company and Gold Frost dated February 16, 2006 (4)
4.12	Relationship Agreement between the Company, Gold Frost, Willi-Food, Zwi Williger and Joseph Williger dated February 28, 2006 (4)
4.13	Placing Agreement between the Company, Gold Frost, certain officers of Gold Frost and Corporate Synergy dated March 2, 2006 (4)
4.14	Lock In Agreement, between the Company, Gold Frost, Corporate Synergy and certain officers of Gold Frost, dated March 2, 2006 (4)
4.15	Securities Purchase Agreement, dated as of October 25, 2006, among the Company and the investors identified on the signature pages thereto. (5)
4.16	Registration Rights Agreement, dated as of October 25, 2006, among the Company and the investors signatory thereto. (5)
4.17	Asset Purchase Agreement, dated as of January 19, 2007, by and among the Company, WF Kosher Food Distributors, Ltd., Laish Israeli Food Products Ltd. and Arie Steiner.(6)
†4.18	Agreement, dated February 11, 2007, between the Company and Mr. Ya'acov Baron, Ms. Hedva Baron, Mr. Li'or Baron, Ms. Gozlan Or'na and Ms. Michal Baron Sha'hak. (6)
†4.19	Agreement, dated January 2, 2008, between the Company and Mr. Jacob Ginsberg, Mr. Amiram Guy and Shamir Salads (2006) Ltd. (7)

4.20 Share Purchase Agreement, dated February 13, 2008, between Gold Frost and Kirkeby Cheese Export A/S. (7)

4.21	Shareholders Agreement, dated February 13, 2008, between Gold Frost and Kirkeby Cheese Export A/S. (7)
4.22	Co-operation Agreement, dated January 1, 2008, between Kirkeby Cheese Export A/S, Haarby Mejeri/Kirkeby Dairy ApS and Kirkeby International Foods A/S. (7)
8.1	Subsidiaries of the Company (*)
12.1	Certification of CEO of the Company pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (**)
12.2	Certification of CFO of the Company pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (**)
13.1	Certification of CEO of the Company pursuant to Rule 13a-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (**)
13.2	Certification of CFO of the Company pursuant to Rule 13a-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (**)
15.(a).1	Consent of Independent Registered Public Accounting Firm (**)

†	English translations from Hebrew original.
(1)	Incorporated by Reference to the Registrant's Annual Report on Form 20-F for the Fiscal year ended December 31, 1997.
(2)	Incorporated by reference to the Company's Registration Statement on Form F-1, File No. 333-6314.
(3)	Incorporated by reference to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2001.
(4)	Incorporated by reference to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2005.
(5)	Incorporated by reference to the Company's Registration Statement on Form F-3, File No. 333-138200.
(6)	Incorporated by reference to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2006.
(7)	Incorporated by reference to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2007.
(*)	Previously filed with the original Annual Report on Form 20-F filed with the Commission on April 30, 2012
(**)	Filed Herewith

G. WILLI-FOOD INTERNATIONAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011

G. WILLI-FOOD INTERNATIONAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
G. Willi-Food International Ltd.

We have audited the accompanying consolidated statements of financial position of G. Willi-Food International Ltd. ("the Company") and its subsidiaries as of December 31, 2011 and 2010 and the related consolidated Statements of Income, comprehensive Income, changes in equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 28, the Company has restated its consolidated financial statements as of December 31, 2011.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated statements of financial position of the Company and its subsidiaries as of December 31, 2011 and 2010 and the consolidated Statements of Income, comprehensive Income, changes in equity and cash flows for each of the three years in the period ended December 31, 2011, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tomhatsu Limited

Tel-Aviv, Israel
April 29, 2012

Except for note 28 and note 29, as to which the date is August 29, 2012

G. WILLI-FOOD INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(NIS in thousands)

	Note	December 31, 2 0 1 1 NIS	2 0 1 0	2 0 1 1(*) US Dollars
Assets				
Current assets				
Cash and cash equivalents	4a	34,661	113,631	9,072
Financial assets at fair value through profit or loss	4b	163,430	67,890	42,773
Trade receivables	4c	57,628	85,902	15,082
Other receivables	4d	15,720	2,307	4,113
Inventories	4e	32,613	37,614	8,535
Total current assets		304,052	307,344	79,575
Non-current assets				
Property, plant and equipment		61,401	71,350	16,069
Less -accumulated depreciation		18,856	20,512	4,935
	6	42,545	50,838	11,134
Prepaid expenses		117	2,405	31
Goodwill	7a	36	1,936	9
Intangible assets, net	8	-	4,067	-
Deferred taxes	13c	933	694	244
Total non-current assets		43,631	59,940	11,418
Total assets		347,683	367,284	90,993
Equity and liabilities				
Current liabilities				
Short-term bank credit	10	-	5,780	-
Trade payables	9a	25,683	32,959	6,722
Provisions	11	1,164	268	305
Current tax liabilities		3,837	5,910	1,004
Other payables and accrued expenses	9b	4,551	10,326	1,190
Employees Benefits	12b	1,613	3,057	422
Total current liabilities		36,848	58,300	9,643
Non-current liabilities				
Long-term bank loans	10	-	309	-
Deferred taxes	13c	-	522	-
Retirement benefit obligation	12b	518	1,281	136
Total non-current liabilities		518	2,112	136
Shareholders' equity	15			
Share capital		1,444	1,444	378

Additional paid in capital	129,809	128,863	33,972
Capital fund	247	247	65
Foreign currency translation reserve	587	736	154
Treasury shares	(10,141)	-	(2,654)
Retained earnings	188,371	170,060	49,299
Equity attributable to owners of the Company	310,317	301,350	81,214
Non-controlling interest	-	5,522	-
	310,317	306,872	81,214
Total equity and liabilities	347,683	367,284	90,993

(*) Convenience translation into U.S. Dollars.

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

The financial statements were approved by the board of directors of the Company on August 29, 2012.

G. WILLI-FOOD INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(NIS in thousands)

	Note	Year ended December 31, 2011	2010(**)	2009(**)	2011(*)
			NIS		US Dollars
Revenue	17a	264,404	271,143	230,134	69,198
Cost of sales	17b	202,699	194,957	165,134	53,049
Gross profit		61,705	76,186	65,000	16,149
Operating costs and expenses					
Selling expenses	17c	27,482	31,077	22,586	7,192
General and administrative expenses	17d	17,375	17,818	15,887	4,547
Other Income	18	(240)	(96)	(5,330)	(63)
		44,617	48,799	33,143	11,676
Operating profit		17,088	27,387	31,857	4,473
Finance Income	19a	1,480	5,543	2,744	387
Finance expense	19b	313	678	420	82
Finance Income, net		1,167	4,865	2,324	305
Profit before taxes on Income		18,255	32,252	34,181	4,778
Taxes on Income	13a	(3,906)	(6,995)	(4,869)	(1,022)
Profit from continuing operations		14,349	25,257	29,312	3,756
Profit from discontinued operations	23	4,172	4,900	2,216	1,092
Profit for the year		18,521	30,157	31,528	4,848
Attributable to:					
Owners of the Company	20a	18,311	28,177	30,436	4,792
Non-controlling interest		210	1,980	1,092	56
Net Income		18,521	30,157	31,528	4,848
Earnings per share	20				
Basic from continuing operations		1.06	1.96	2.80	0.28
Basic from discontinued operations		0.29	0.22	0.16	0.07
Basic earnings per share		1.35	2.18	2.96	0.35
Diluted from continuing operations		1.06	1.96	2.80	0.28
Diluted from discontinued operations		0.29	0.22	0.16	0.07

Diluted earnings per share	1.35	2.18	2.96	0.35
Shares used in computation of basic EPS	13,534,954	12,876,294	10,267,893	13,565,068
Shares used in computation of diluted EPS	13,534,954	12,876,294	10,267,893	13,565,068

(*) Convenience translation into U.S. Dollars.
(**) Reclassified according to the discontinued operations See note 23.

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

G. WILLI-FOOD INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(NIS in thousands)

	Year ended December 31,			
	2 0 1 1	2 0 1 0(**)	2 0 0 9(**)	2 0 1 1(*)
	NIS			US Dollars
Net Income	18,521	30,157	31,528	4,848
Other comprehensive Income (Expenses)				
Translation differences for foreign operations	(149)	97	52	(39)
Other comprehensive Income for the year	(149)	97	52	(39)
Total comprehensive Income for the year	18,372	30,254	31,580	4,809
Total comprehensive Income for the year attributable to:				
Owners of the Company	18,162	28,274	30,475	4,753
Non-controlling interest	210	1,980	1,105	56
	18,372	30,254	31,580	4,809

(*) Convenience translation into U.S. Dollars.
(**) Reclassified according to the discontinued operations See note 23.

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

G. WILLI-FOOD INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(NIS in thousands)

	Share capital	Additional paid in capital	Capital fund	Foreign currency translation reserve	Treasury shares	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
Balance – January 1, 2009	1,113	59,056	247	369	-	111,447	172,232	13,350	185,582
Profit for the year	-	-	-	-	-	30,436	30,436	1,092	31,528
Currency translation differences	-	-	-	39	-	-	39	13	52
Total comprehensive Income for the year	-	-	-	39	-	30,436	30,475	1,105	31,580
Purchase of non-controlling interest	-	-	-	-	-	-	-	(7,559)	(7,559)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(101)	(101)
Disposal of subsidiary	-	-	-	231	-	-	231	(3,253)	(3,022)
Balance - December 31, 2009	1,113	59,056	247	639	-	141,883	202,938	3,542	206,480
Profit for the year	-	-	-	-	-	28,177	28,177	1,980	30,157
Currency translation differences	-	-	-	97	-	-	97	-	97
Total comprehensive Income for the year	-	-	-	97	-	28,177	28,274	1,980	30,254
Public offering	331	69,807	-	-	-	-	70,138	-	70,138
Balance - December 31, 2010	1,444	128,863	247	736	-	170,060	301,350	5,522	306,872
Profit for the year	-	-	-	-	-	18,311	18,311	210	18,521

Currency translation differences	-	-	-	(149)	-	-	(149)	-	(149)
Total comprehensive Income for the year	-	-	-	(149)	-	18,311	18,162	210	18,372
employee benefit	-	946	-	-	-	-	946	-	946
Disposal of subsidiary	-	-	-	-	-	-	-	(5,732)	(5,732)
Investment in treasury stocks	-	-	-	-	(10,141)	-	(10,141)	-	(10,141)
Balance - December 31, 2011	1,444	129,809	247	587	(10,141)	188,371	310,317	-	310,317

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

G. WILLI-FOOD INTERNATIONAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(NIS in thousands)

	Year ended December 31,			
	2 0 1 1(***)	2 0 1 0(**)	2 0 0 9(**)	2 0 1 1(*)
		NIS		US Dollars
Cash flows - operating activities				
Profit from continuing operations	14,349	25,257	29,312	3,756
Adjustments to reconcile net profit to net cash from continuing operating activities(Appendix A)	16,573	(9,763)	(20,958)	4,339
Net cash from continuing operating activities	30,922	15,494	8,354	8,095
Net cash from discontinued operating activities	5,532	4,925	9,340	1,448
Cash flows - investing activities				
Acquisition of property plant and equipment	(1,643)	(5,215)	(909)	(430)
Proceeds from sale of property plant and Equipment	310	546	115	81
Additions to prepaid expenses	-	-	(243)	-
Long term deposit, net	-	14	(7)	-
Proceeds from realization (purchase) of marketable securities, net	(99,574)	(53,234)	663	(26,060)
Disposal of subsidiary	-	-	2,185	-
Net cash from (used in) continuing investing activities	(100,907)	(57,889)	1,804	(26,409)
Net cash from (used in) discontinued investing activities	(3,394)	(1,897)	(1,642)	(888)
Cash flows - financing activities				
Investment in treasury stocks	(10,141)	-	-	(2,654)
Proceeds of Public offering, net	-	70,248	-	-
Deferred expenses related to Public Offering	-	-	(110)	-
Short-term bank credit, net	-	(373)	(113)	-
Purchase of additional shares in subsidiary	-	-	(2,314)	-
Proceeds of loans	-	-	487	-
Net cash from (used in) continuing financing activities	(10,141)	69,875	(2,050)	(2,654)
Net cash used in discontinued financing activities	(982)	(3,978)	(7,416)	(257)
Increase (decrease) in cash and cash equivalents	(78,970)	26,530	8,390	(20,665)
Cash and cash equivalents at the beginning of the financial year	113,631	87,101	78,725	29,737

Net foreign exchange difference on cash and cash equivalents from discontinued activities	-	-	(14)	-
Cash and cash equivalents of the end of the financial year	34,661	113,631	87,101	9,072

(*) Convenience Translation into U.S. Dollars.
(**) Reclassified according to the discontinued operations See note 23.
(***) As restated. See note 28

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

G. WILLI-FOOD INTERNATIONAL LTD. AND SUBSIDIARIES
APPENDICES TO CONSOLIDATED STATEMENTS OF CASH FLOWS
(NIS in thousands)

A. Adjustments to reconcile net profit to net cash from operating activities

	Year ended December 31,			
	2 0 1 1(***)	2 0 1 0(**)	2 0 0 9(**)	2 0 1 1(*)
		NIS		US Dollars
Deferred Income taxes	(239)	(165)	742	(63)
Capital Gain on purchase of additional shares in subsidiary	-	-	(5,245)	-
Unrealized loss (gain) on marketable securities	4,034	(3,300)	(2,652)	1,056
Depreciation and amortization	3,506	3,016	3,406	918
Capital gain on disposal of property plant and equipment	(240)	(96)	(85)	(63)
Employees benefit, net	(135)	244	(24)	(35)
Change in value of warrants to issue shares	-	-	(5)	-
Stock based compensation reserve	200	-	-	53
Changes in assets and liabilities:				
Increase in trade receivables and other receivables	3,553	(6,809)	(5,915)	930
Decrease (Increase) in inventories	1,691	7,508	(12,864)	443
Decrease in long term receivables	-	760	103	-
Increase (Decrease) in trade and other payables, and other current liabilities	4,203	(10,921)	1,581	1,100
	16,573	(9,763)	(20,958)	4,339
Interest paid	47	59	62	12
Income tax paid	9,471	2,985	2,045	2,479

(*) Convenience Translation into U.S. Dollars.
(**) Reclassified according to the discontinued operations See note 23.
(***) As restated. See note 28

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

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

A. Description of Business:

G. Willi-Food International Ltd. ("the Company") was incorporated in Israel in January 1994 and is engaged in the import, export, marketing and distribution of food products. Since May 1997, the Company's shares are registered for trade on the NASDAQ Capital Market

The Company is a subsidiary of Willi-Food Investments Ltd. ("the parent company"). The shares of the parent company are registered for trade on the Tel-Aviv Stock Exchange.

On December 16, 2011, the Company signed an agreement to sell its entire 51% ownership interest in Shamir Salads (2006) LTD the subsidiary of the Company ("Shamir Salads") to other shareholders of Shamir Salads.

B. Definitions:

The Company	-	G. WILLI-FOOD INTERNATIONAL LTD.
The Group	-	The Company and its Subsidiaries, a list of which is presented in Note 5.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IAS 27) and whose accounts are consolidated with those of the Company.
Related Parties	-	As defined in IAS 24.
Interested Parties	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Controlling Shareholder	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
NIS	-	New Israeli Shekel.
CPI	-	The Israeli consumer price index.
Dollar	-	The U.S. dollar.
Euro	-	The United European currency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Applying international accounting standards (IFRS):

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The significant accounting policies detailed in the continuation were applied on a consistent basis for all reporting periods presented in the financial statements, except for changes in accounting policies that were due to the application of standards, amendments to standards and interpretations that took effect on the date of the financial statements, and the application of standards, amendments to standards and interpretations that are not in effect and were adopted in early adoption by the Group, as detailed in Note 2z below.

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Format for presentation of Statement of Financial Position:

The Group presents assets and liabilities in the Statement of Financial Position divided into current and non-current items.

C. Format for analysis recognized in Income Statement:

(1) Format for analysis of expenses recognized in Income statement:

The Group's expenses in the Income statement are presented based on the nature of the activity of the expenses in the entity.

(2) The Group's operating cycle is 12 months.

D. Basis of preparation:

Until December 31, 2003, Israel was considered a country in which hyper-inflation conditions exist. Therefore, non-monetary balances in the balance sheet were presented on the historical nominal amount and were adjusted to changes in the CPI. As of December 31, 2003 when the economy ceased to be hyper-inflationary and the Company no longer adjusted its financial statements to the ISRAELI CPI, the adjusted amounts as of this date were used as the historical costs. The financial statements were edited on the basis of the historical cost, except for:

§ Assets and liabilities measured by fair value: financial assets measured by fair value recorded directly as profit or loss.

§ Inventories are stated at the lower of cost and net realizable value.

§ Property, plant and equipment and intangibles assets are presented at the lower of the cost less accumulated amortizations and the recoverable amount.

§ Liabilities to employees as described in note 12.

E. Foreign currencies:

(1) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in the New Israeli Shekel ("NIS"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. As for exchange rates and changes in them during the presented periods see note 2y(2).

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Foreign currencies: (Cont.)

(2) Translation of foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. (Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(3) Recognition of exchange differences

Exchange differences are recognized in profit or loss in the period in which they a arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive Income and reclassified from equity to profit or loss on disposal of the net investment.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional, currency'). The consolidated financial statements are presented in 'NIS', which is the company's functional and the group's presentation currency.

(4) Translation of the financial statements of foreign operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive Income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(5) Convenience translation

The balance sheet as of December 31, 2011 and statement of Income, statement of other comprehensive Income and statement of cash flows for the year then ended have been translated into U.S. Dollar using the representative exchange rate as of that date ($1.0 = NIS 3.821). Such translation was made solely for the convenience of the U.S. readers. The dollar amounts so presented in these financial statements should not be construed as representing amounts receivable or payable in dollars or convertible into dollars but only a convenience translation of reported NIS amounts into U.S. Dollar, unless otherwise indicated. The convenience translation supplementary financial data is

unaudited and is not presented in accordance with IFRSs.

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Cash and cash equivalents:

Cash and cash equivalents include demand deposits and term deposits in banks that are not restricted as to usage, with an original period to maturity of not more than three months.

Deposits that are restricted as to usage are classified as pledged deposits.

Deposits with an original period to maturity exceeding three months, which as of the statement of financial position does not exceed one year, are classified as short-term investments.

G. Basis of consolidation:

(1) General

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, Income and expenses are eliminated in full on consolidation.

(2) Non-controlling Interest

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-control ling's share of changes in equity since the date of the combination. Losses attributable to non-controlling interest in excess of its share in the subsidiary's equity are charged commencing January 1, 2010 to non-controlling interest in any case, while ignoring its obligations and ability to make additional investments in the subsidiary.

Commencing January 1, 2010, transactions with non-controlling interest shareholders, in the context of which the Company retains control before and after the transaction, are treated as capital transactions.

Through December 31, 2009 the accounting treatment was as follows:

(a) In cases whereby the Group acquired the non-controlling interest, the difference between the cost of acquisition and the non-controlling interests book value acquired was recognised as goodwill. A negative difference was recognised as an income in the Income statement.

(b) When the Groups interest in subsidiary was reduced, without loss of control (either by sale or by issuance of shares by the subsidiary) the differences between the consideration received and the book value of the Group's investment sold was recognised in the Income statements.

See note 2aa(3) about the adoption of IFRS 10.

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Basis of consolidation: (Cont.)

(3) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

H. Business combination:

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for other types of non-controlling interests are measured on the basis specified in another IFRS.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

All Groups' acquisitions were performed prior to the adoption of IFRS 3 (Revised 2008). Under IFRS 3 (2004) paragraphs 24 and 29, costs directly attributable to the business combinations constitute part of the cost of the business

combination.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

I. Goodwill:

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Goodwill: (Cont.)

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

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

Regarding the Impairment of Assets, see note 7b

J. Discontinued operations:

Exercised activities constitute discontinued activities when they represent a separate major line of business activity or geographical area of operations, or constitute part of a single and coordinated design for the exercise of an area of business activity, or a geographical area of activities are presented in the consolidated statements of operations less taxes on Income in all periods presented as "Profit (Loss) from discontinued operations". Cash flows due to discontinued activities are presented together in the cash flow report for each reporting period presented in accordance with the classification of operating activity, investment activity and finance activity.

K. Property, plant and equipment:

Property, plant and equipment are tangible items, which are held for use in the manufacture or supply of goods or services, or leased to others, which are predicted to be used for more than one period. The Company presents its property, plant and equipment items according to the cost model.

Under the cost method - a property, plant and equipment are presented at the balance sheet at cost (net of any investment grants), less any accumulated depreciation and any accumulated impairment losses. The cost includes the cost of the assets acquisition as well as costs that can be 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.

Depreciation is calculated using the straight-line method at rates considered adequate to depreciate the assets over their estimated useful lives. Amortization of leasehold improvements is computed over the shorter of the term of the lease, including any extension period, where the Company intends to exercise such option, or their useful life.

The annual depreciation and amortization rates are:

%

Construction	4	
Motor vehicles	15-20	(mainly 20%)
Office furniture and equipment	6-15	(mainly 15%)
Computers	20-33	(mainly 33%)
Machinery and equipment	10	

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G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Income statement.

L. Intangible assets, except goodwill:

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset with an indefinite useful life shall not be amortized.

In accordance with IAS 36, an entity is required to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount:

(a) Annually.
(b) Whenever there is an indication that the intangible asset may be impaired.

Intangible assets with a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses. Amortization is charged according to the straight-line method over their estimated useful life. See also Note 8.

Useful lives of Intangible assets:

	Years
Intangible assets acquired in a business combination:	
Technology knowledge	10
Customers relationship	15
Trade name	25
Other intangible asset	
Trade name	7

Intangible assets acquired separately

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Regarding the amendment to IFRS 3 (Revised), "Business Combinations", see note 2z3.

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Impairment of tangible and intangible assets excluding goodwill:

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Regarding the amendment to Impairment of goodwill see note 7b.

N. Inventories:

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

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes all the cost of purchase, direct labor, fixed and variable production over heads and other cost that are 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 costs necessary to make the sale.

Cost determined as follows:

Raw material, components and packaging	- by the "first-in, first-out" method;
Processing goods	- cost of materials plus labor
Finished products	- on the basis of standard cost which approximates actual production cost (materials, labor and indirect manufacturing costs).
Products	- weighted average method

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Financial assets:

(1)General

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition:

- Financial assets ‘at fair value through profit or loss’ (FVTPL)
- Loans and receivables

Regarding the amendment to IFRS 9, "Financial Instruments", IFRS 13 " Fair Value Measurement", Amendments to IFRS 7 " Disclosures – Transfers of Financial Assets" see notes 2aa(1), 2aa(2) and 2aa(4).

(2)Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

(3) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest Income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(4)Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

G. WILLI-FOOD INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(NIS in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Financial assets: (Cont.)