G WILLI FOOD INTERNATIONAL LTD
Form 20-F
June 30, 2011

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

FORM 20-F

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, 2010

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 13,573,679 outstanding ordinary shares, NIS 0.10 nominal value per share as of December 31, 2010.

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 x

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 x

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 x   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 x

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 x

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 x

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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 3.549 = $1.00, the representative exchange rate on December 31, 2010.

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;
- our inability to accurately predict consumption of our products;
- we may not successfully integrate our prior acquisitions;
- 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;

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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;
- our inability to maintain an effective system of internal controls;
- 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;
- difficulties in acquiring jurisdiction and enforcement liabilities against our officers and directors who are based in Israel; 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".

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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, 2010, 2009 and 2008 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 year ended December 31, 2007 is derived from our audited consolidated financial statements not appearing in this report. The 2006 financial data is derived from other audited consolidated financial statements not appearing in this report which is prepared in accordance with Israeli GAAP. 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
December 2010	3.665	3.549
January 2011	3.71	3.528
February 2011	3.713	3.602
March 2011	3.635	3.481
April 2011	3.473	3.395
May 2011	3.538	3.377
June 2011 (through June 24, 2011)	3.485	3.363

The representative exchange rate for NIS on December 31, 2010 was NIS 3.549 = $1.00, and the representative exchange rate for NIS on June 24, 2011 was NIS 3.445= $1.00.

The average exchange rate of NIS 3.732 = USD 1.00 was for the year ended December 31, 2010, NIS 3.933 for the year ended December 31, 2009, NIS 3.588 for the year ended December 31, 2008, 4.108 for the year ended December 31, 2007 and 4.457 for the year ended December 31, 2006.

Income Statement Data:
In accordance with IFRS

	2010		2009		2008		2007	
	NIS	USD	NIS	USD	NIS	USD	NIS	US
Revenue	348,358	98,157	303,460	85,506	289,068	81,451	201,617	56,81
Cost of sales	247,572	69,758	219,569	61,868	228,839	64,480	156,062	43,97
Gross profit	100,786	28,399	83,891	23,638	60,229	16,971	45,555	12,83
Selling expenses	45,048	12,693	35,598	10,030	31,800	8,960	20,602	5,805
General and administrative expenses	22,217	6,260	20,451	5,762	16,863	4,751	12,280	3,460
Other (Income) expenses	(47)	(13)	(5,330)	(1,502)	1,846	520	(454)	(128
Total operating expenses	67,218	18,940	50,719	14,290	50,509	14,231	32,428	9,137
Operating profit	33,568	9,459	33,172	9,348	9,720	2,740	13,127	3,699
Finance income	5,543	1,478	2,744	773	(4,167)	(1,174)	2,111	595
Finance expense	1,301	284	1,273	359	673	190	(323)	(91
Finance income (expense), net	4,242	1,194	1,471	414	(4,840)	(1,364)	2,434	686
Profit before taxes on income	37,810	10,653	34,643	9,762	4,880	1,376	15,561	4,385
Taxes on income	8,483	2,390	5,043	1,421	1,117	315	2,174	613
Profit from continuing operations	29,327	8,263	29,600	8,341	3,763	1,061	13,387	3,772
Profit (loss) from discontinued operations	830	234	1,928	543	(3,496)	(985)	(8,748)	(2,46
Profit for the year	30,157	8,497	31,528	8,884	267	76	4,639	1,307
Attributable to:								
Owners of the Company	28,177	7,939	30,436	8,576	(786)	(221)	2,342	660
Non-controlling interest	1,980	558	1,092	308	1,053	297	2,297	647
Net Income	30,157	8,497	31,528	8,884	267	76	4,639	1,307
Basic and diluted earnings (loss) per Share from continuing	2.12	0.6	2.81	0.75	0.3	0.08	1.14	0.3

operations											
Basic and diluted earnings (loss) per Share from discontinued operations	0.06	0.02	0.15	0.04	(0.38	)	(0.1	)	(0.91	)	(0.24
Basic and diluted earnings (loss) per Share	2.18	0.61	2.96	0.79	(0.08	)	(0.02	)	(0.23	)	(0.06
Shares Used in Computing Earnings per Share	12,876,294	12,876,294	10,267,893	10,267,893	10,267,893		10,267,893		10,267,893		10,26
Dividend declared per share	-	-	-	-	-		-		-		-

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Income Statement Data:
In accordance with Israeli GAAP

	2006	
	NIS	USD
Sales	191,460	53,948
Cost of sales	143,581	40,457
Gross profit	47,879	13,491
Sales and Marketing	21,100	5,945
General and administrative	14,151	3,987
Total Operating expenses		
Operating Income	35,251	9,932
Financial Income, Net	12,628	3,559
Other Income, Net	4,925	1,388
Pre Tax Income	18,248	5,142
Income taxes	35,801	10,089
Income after taxes on income	5,379	1,516
Minority interest	30,422	8,573
Net Income	1,807	509
Earnings per Share Basic	28,615	8,063
Shares Used in Computing Earnings per Share	9,028,223	9,028,233
Dividend declared per share	-	-

Balance Sheet Data:
In accordance with IFRS

	2010		2009		2008	
	NIS	USD	NIS	USD	NIS	USD
Working capital	249,044	70,173	148,359	41,803	122,396	34,487
Total assets	367,284	103,489	282,719	79,662	273,342	77,019
Short-term bank debt	5,780	1,629	10,372	2,923	17,562	4,948
Shareholders' equity	306,872	86,467	206,480	58,180	185,582	52,291
Capital stock	12,876,294	12,876,294	10,267,893	10,267,893	10,267,893	10,267,893

Balance Sheet Data:
In accordance with Israeli GAAP

	2007		2006	
	NIS	USD	NIS	USD
Working capital	142,645	40,193	144,323	40,666
Total assets	239,452	67,470	219,971	61,981
Short-term bank debt	5,978	1,684	--	-
Shareholders' equity	190,607	53,707	171,739	48,391
Capital stock	10,267,893	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 major and 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 21% of our sales in 2010. 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 11% and 10%, respectively of our revenue during 2010. 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 (29% in 2010) 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 affect 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.

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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 2007, a number of our suppliers increased their product prices to us due to increases in milk, wheat, corn and rice prices. This reduced our profitability during the year.

In 2008, the global purchase price of a number of our key products decreased sharply due to the global recession. This reduced our profitability during 2008 because of the sharp decrease in the selling prices of our products that we had previously purchased or committed to purchase at higher prices. Because we purchase many of our products from outside Israel, there is a lag of time from when we purchase inventory from our suppliers (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.

In 2010 - 2011 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 production 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

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 not successfully integrate our recent acquisitions

In light of our acquisition of Shamir Salads (2006) Ltd., our success will depend in part on our ability to manage the combined operations of this company, to integrate the operations and personnel of this 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 this operation could also place additional pressures on our management as well as on our key personnel. The failure to successfully manage this integration could have an adverse material effect on our results of operations.

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 facilities.

We store most of our products in two main locations – a logistics center warehouse situated in Yavne, Israel, and a factory and logistics center situated in Barkan, Israel, used for products being distributed to customers. Any interruption to these storage facilities, 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.

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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.

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.

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", "Shamir Salads", "Pizza Top", "Gold Food", "Donna Rozza", "Manchow", "Krisponim", "Bubles", "Gold Frost" and "Habulgaria". 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 2010, our stock price has been trading in a range from $5.42 to $7.90 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 Global Market.

Delisting from the Nasdaq Global 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 52.84% of our ordinary shares. Mr. Joseph Williger, who serves as Chief Executive Officer and director of our company and serves as Chairman of the Board of Willi-Food, held, as of June 24, 2011, approximately 21.03% of the outstanding shares of Willi-Food (approximately 21.26% on a fully-diluted basis). Mr. Zwi Williger, who serves as Chief Operating Officer and Chairman of the Board of our company and serves as a director and Chief Executive Officer of Willi-Food, held, as of June 24, 2011 approximately 37.11% of the outstanding shares of Willi-Food (approximately 37.52% 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%.

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.

There are also currently criminal proceedings pending against Gaydamak in Israel for money laundering. He was also convicted of a crime in France and was sentenced to six years in prison. Part of his conviction in France was overturned by the Court of Appeal in France on April 2011, however, the Court did not change Gaydamaks' conviction in tax evasion, hence reducing the prison sentence to three years.

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 37.11% to approximately 19.98% and Joseph Williger from approximately 21.03% to approximately 3.90%) 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, a 37.11% shareholder of Willi-Food, the Chairman of our Board of Directors and our Chief Operating Officer and a director and Chief Executive Officer in Willi-Food, and Mr. Joseph Williger, a 21.26% shareholder of Willi-Food, a director and our Chief Executive Officer and the chairman of the Board of Directors of Willi-Food, 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, manufacturing, 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.

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 last months revolutions 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, Yavneh, 81106, Israel. The Company's telephone number in Israel is (972) 8-9321000

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. See "Item 10. Additional Information – 10C. Material Contracts". 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 $10.0 million 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 at a purchase price of $6.05 per share, and the Company also issued warrants to purchase 561,982 additional shares at an exercise price of $8.00 per share. After deducting closing costs and fees, the Company received net proceeds of approximately $9.6 million. See "Item 10. Additional Information – 10C. Material Contracts".

On January 19, 2007, the Company established a fully-owned subsidiary in the US, WF Kosher Food Distributors LTD. ("WF") in order to acquire the operations and assets of Laish Israeli Food Products Ltd. ("Laish"), a U.S. importer and distributor of kosher food products for approximately $3.5 million in cash. The sources for the purchase price were a bank loan in the amount of $1.5 million taken by WF and cash on hand from the Company. On July 14, 2008 the Company announced that WF has ceased the activities of its operations effective immediately. See "Item 10. Additional Information – 10C. Material Contracts".

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 $1 million in owner's loans that were converted into equity on April 1, 2008. Under the terms of the agreement, all of the food export operations of the Baron family were executed under the new entity, and Baron was engaged in the food export activities performed until then by the Baron family. On September 2, 2009, the Company signed an agreement to sell all of its holdings in Baron and to assign all of its rights and obligations to the Baron family. In exchange for the sale of shares and the assignment of rights and obligations, the Baron family agreed to pay US$ 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".

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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, Willi Food 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. 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 February 5, 2009, the Company launched a tender offer (as extended on March 5, 2009) to purchase from the holders of shares and/or depositary interests of Gold Frost all of the issued and outstanding share capital of Gold Frost which were not already held by the Company for a price of 5 pence per share or per depositary interest in cash. The proposed tender offer was not successful.

On June 22, 2009, the Company launched a second tender offer to purchase from the holders of shares and/or depositary interests of Gold Frost all of the issued and outstanding share capital of Gold Frost which were not already held by the Company for a price of 7 pence per share or per depositary interest in cash. On July 27, 2009, the Company announced that it had successfully completed the second tender offer. As of the time of expiration of the tender offer, an aggregate of 2,706,388 Gold Frost shares and depositary interests were duly tendered. Such shares and depositary interests constituted, together with the shares held by the Company, more than 95% of the issued and outstanding share capital of Gold Frost. In accordance with Israeli law, the Company purchased all of the issued and outstanding Gold Frost shares and depositary interests which were not owned by the Company (including those not tendered in the tender offer) at the tender offer price and paid an aggregate amount of approximately £370,430 for all such shares and depositary interests.

On March 17, 2010, the Company raised a $20.0 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. After deducting closing costs and fees, the Company received net proceeds of approximately $19.0 million. See "Item 10. Additional Information – 10C. Material Contracts".

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.co.il.

CAPITAL EXPENDITURES

Our capital expenditures were $1.7 million, $0.5 million and $0.8 million for the three years ended December 31, 2010, 2009 and 2008, respectively. See "Item 4D. Property, Plants and Equipment" for a description of the logistic center.

There is currently one material capital expenditure in progress – approximately $0.7 million in Shamir to build two new packaging lines and improvement of a third line.

B. BUSINESS OVERVIEW

Overview

The Company is an Israeli-based company engaged, directly and through subsidiaries, in the development, import, export, manufacturing, marketing and distribution of a wide variety of over 1,000 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 250 suppliers located in Israel and throughout the world, including from the Far East (China, India, the Philippines and Thailand), Eastern Europe (Poland, Latvia and Bulgaria), South America (Argentina, Ecuador and Costa Rica), the United States, Canada, Western and Northern Europe (The Netherlands, Belgium, Germany, Sweden, Denmark and France) and Southern Europe (Spain, Portugal, Italy, Turkey, Greece).

The Company's products are marketed and sold to over 2,000 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,” chilled salads under the name “Shamir Salads” 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 three 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. 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 June 24, 2011, the Company’s principal shareholder, Willi-Food, held approximately 52.84% 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” and "Shamir Salads" brand names and to increase market penetration of products that are currently sold through, among other things, marketing efforts and advertising campaigns;

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- 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 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 introduced additional food products to the Israeli marketplace under the brand name “Willi-Food” and "Shamir Salads".
- 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, manufacture, market and distribute two kinds of line segments: import segment and manufacturing segment.

Import Segment

We import, market and distribute a broad variety of over 700 food products. Sales of import segment products accounted for approximately 78% of our sales in 2010. 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 okra, mushrooms (whole and sliced) and terfess, artichoke (hearts and bottoms), beans, asparagus, capers, corn kernels, baby corn, palm hearts, bamboo shoots, 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 dried tomatoes and edamame soybeans. These products are primarily imported from China, Spain, Greece, Thailand, South America, Turkey, France, India, Poland, Morocco 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, Portugal, Canada, Spain, Greece, Germany and Sweden.

- Canned Fruit: including pineapple (sliced or pieces), peaches, apricot, pears, cherries, mangos, cherries, mandarins 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 and emmental), molded cheeses (brie, camembert and danablu), feta, Bulgarian cheese, Muzzarella, smoked cheeses, pizza top, goat cheese, butter, butter spreads, margarine, melted cheese, cheese alternatives, condensed milk, coffee whitener, whipped cream and others. These products are primarily imported from Greece, France, Latvia, Denmark, Bulgaria, Italy, The Netherlands and the United States.

- Dried Fruit, Nuts and Beans: including figs, apricots, prunes, papaya, pineapple, 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 soups, coffee creamers, lemon juice, halva, Turkish delight, cookies, vinegar, sweet pastry and crackers, sauces, corn flour, pastes, rice, rice sticks, pasta, spaghetti and noodles, breakfast cereals, corn flakes, instant coffee, rusks, coconut milk, tortilla, dried apples snacks, ice cream, frozen pizza, chocolate bars and chocolate paste, tea, deserts (such as tiramisu and pastries) and light and alcoholic beverages (such as ouzo, sangria and mohito). These products are primarily imported from The Netherlands, Germany, Romania, Italy, Greece, Belgium, the United States, Scandinavia, China, Thailand, Turkey, India, and South America (including Argentina).

Manufacturing Segment

We manufacture, market and distribute a broad line of over 400 Mediterranean style chilled salads. The products are manufactured in our logistics center at the industrial zone in Barkan, Israel and are distributed across the country and to several clients abroad. Sales of manufacturing segment products accounted for approximately 22% of our sales in 2010. These products are sold in a variety of sizes and types of receptacles and are intended for use by the individual consumer as well as by the institutional consumer food markets.

We aim to broaden the variety of manufacturing products we distribute.

The principal products in the manufacturing segment product line are Chilled Salads: including hummus, tehina, avocado, eggplant, potato, carrot, tomato, egg, red beet, hot pepper, cabbage, olive, tuna, mushrooms, cherub, coleslaw and ikra salads.

Export Segment

On 2009 we shut down 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 (import and manufacturing segment) 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 (import and manufacturing segment) 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 products (import and manufacturing segment) that generated the largest sales volume for the year ended December 31, 2008 were chilled salads (24% of sales), dairy and dairy substitute products (17% of sales) and canned vegetables (16% 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, Shamir manufactures all of the chilled salads. In the manufacturing segment, we purchase raw ingredients from over 60 non-exclusive local suppliers to manufacture the chilled salads. Most of those purchases are denominated in NIS.

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.

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 31% and 28% of our purchases in 2010 and in 2009, 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 2010 and 2009.

The average volume of our credit balance with our suppliers amounted in 2010 to NIS 38.6 million (US$10.9 million) consisting of 56 days of suppliers credit on average, in 2009 to NIS 47.3 million (US$13.3 million) consisting of 79 days of suppliers credit on average and in 2008 to NIS 48.6 million (US$ 13.7 million) consisting of 62 days of suppliers credit on average.

Customers

The Company's products (import and manufacturing segments) 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 and Katif); (ii) Mega Retail Ltd. (which also includes Mega, MegaBool, Mega in the City and Shefa Shuk); and (iii) Co-Op Israel (which also includes Co-Op Jerusalem, Mister Zol, Pashut Zol and M.M.N). 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 logistic 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, by customer group, for the years ended December 31, 2010 and 2009 are as follows:

	Percentage of Total Sales Year Ended December 31			
Customer Groups	2010		2009	
Supermarket Chains in the organized market	25	%	28	%
Private Supermarket Chains, mini-markets, wholesalers, manufacturers, institutional consumers and the customers in the Palestinian Authority	75	%	72	%
	100	%	100	%

The Company's largest customer (a supermarket chain in the organized market) accounted for 11% and 19% of the Company's sales in 2010 and 2009, respectively.

The loss of this major customer 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 9% 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, 2010, 2009 and 2008, we paid and/or are obligated to pay approximately NIS 3,728 thousand (USD 1,050 thousand), NIS 3,970 thousand (USD 1,052 thousand) NIS 4,686 thousand (USD 1,241 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. 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 2010 to NIS 87.9 million (USD 24.8 million) and the average time period within which our accounts receivable were paid was 90 days, in 2009 to NIS 74.8 million (USD 21.1 million) and the average time period within which our accounts receivable were paid was 91 days and in 2008 to NIS 83.3 million (USD 23.5 million) and the average time period within which our accounts receivable were paid was 81 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 2008-2010, 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 1.8 million), including VAT (NIS 5.5 million net of VAT (USD 1.5 million), as of July 13, 2005. As of the date of this Annual Report, the Company has received approximately NIS 2.6 million (USD 0.73 million). In view of this claim and the ratification of the 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 1.58 million), including the NIS 2.6 million (USD 0.73 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, 2010, 2009 and 2008 amounted to NIS 433 thousand (USD 122 thousand), NIS 456 thousand (USD 128 thousand), and NIS 702 thousand (USD 198 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 logistic 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 45 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 70 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, 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 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, 2010 amounted to NIS 37.6 million (USD 10.6 million) compared with NIS 44.8 million (USD 12.6 million) as of December 31, 2009.

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). The Company's subsidiary Shamir, increases its sales significantly in the week prior to Israel's Independence Day. 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, 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, Siman, Machlvot Gad and Meshek

Zuriel with respect to dairy and dairy substitute products, Strauss, Osem, Miki's salads, 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 certain products under the trademark “Shamir Salads,” which was registered in Israel in January 1995.

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 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.

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 Ha'eda HaChareidit, 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 manufactures are approved as Kosher by and/or under the supervision of Badaz Ha'eda Hacharedit (except for "Kosher to Passover" products) and the Chief Rabbinate of Israel.

C. ORGANIZATIONAL STRUCTURE

The Company's principal shareholder, Willi Food, as of June 24, 2011, held approximately 52.84% 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 June 24, 2011, had three active subsidiaries:

Subsidiary	Jurisdiction of Organization	Company's Ownership Interest	
Gold Frost	Israel	100	%
W.F.D.	Israel	100	%
Shamir	Israel	51.0	%

The offices of Gold Frost and W.F.D, our wholly owned subsidiary, are located in Yavne, Israel, at the offices of the Company.

The offices of Shamir are located in Barkan, Israel.

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 February 5, 2009 the Company launched a tender offer (as extended on March 5, 2009) to purchase from the holders of shares and/or depositary interests of Gold Frost all of the issued and outstanding share capital of Gold Frost which were not already held by the Company for a price of 5 pence per share or per depositary interest in cash. The proposed tender offer was not successful.

On June 22, 2009, the Company launched a second tender offer to purchase from the holders of shares and/or depositary interests of Gold Frost all of the issued and outstanding share capital of Gold Frost which were not already held by the Company for a price of 7 pence per share or per depositary interest in cash. On July 27, 2009 the Company announced that it had successfully completed the second tender offer. As of the time of expiration of the tender offer, an aggregate of 2,706,388 Gold Frost shares and depositary interests were duly tendered. Such shares and depositary interests constituted, together with the shares held by the Company, more than 95% of the issued and outstanding share capital of Gold Frost. In accordance with Israeli law, the Company purchased all of the issued and outstanding Gold Frost shares and depositary interests which were not owned by the Company (including those not tendered in the tender offer) at the tender offer price and 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. See “Item 10. “Additional Information – 10C. Material Contracts”.

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

Shamir

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.

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."

D. PROPERTY, PLANTS AND EQUIPMENT

The Company's principal executive offices are situated at a logistic 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 logistic center is located from Titanic Food Ltd. ("Titanic”), a private Israeli company controlled by Messrs. Joseph Williger, the Company's Chief Executive Officer and a director, and Zwi Williger, the Company's Chief Operating Officer and Chairman of the Board, at the same price that it was purchased by Titanic, in August 2005. The logistic 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 logistic center replaced the Company’s previous logistic center, located nearby, which the Company leased from Titanic. The new logistic center was financed mainly by the funds that were raised in the private placement in October 2006. From the transition to its current logistic center, until the end of 2010, the Company's usage of storage services in free warehouses has been insignificant.

Before the transition to the current logistic 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 2010 and 2009 – NIS 805 thousand (USD 227 thousand) for the year ended December 31, 2010 and NIS 133 thousand (USD 35 thousand) for the year ended December 31, 2009. The expenses of these services for the year ended December 31, 2008 were NIS 225 thousand (USD 60 thousand).

As of December 31, 2010, the Company owned 9 refrigeration trucks (each with a capacity of 6.5 to 12 tons), eight regular trucks (each with a capacity of 15 to 27 tons) and ten combined trucks (each with capacity of 7.5 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, 2010 amounted to NIS 42,426 thousand (USD 11,954 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, 2010 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.

The Company is engaged, directly and through its subsidiaries, in the design, import, manufacture, marketing and distribution of a broad range of food products purchased from over 210 suppliers worldwide and marketed throughout Israel and abroad. The products imported or manufactured 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 (such as in the U.S., England, Belgium, France, Switzerland and Russia).

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). The Company believes that it has successfully coped with the 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 our product lineup, introducing new products, and increased sales of higher margin products and adjusting the sale prices of the Company's products to consumers in accordance with product prices of the Company's suppliers), are positioning the Company for future growth. 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 production 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, 2010, 2009, 2008, 2007 and 2006 has been translated into U.S. Dollars using the representative exchange rate. This rate as of December 31, 2010 was NIS 3.549 = 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, 2010, 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 2009 and 2010 management of the Company assessed the recoverability of goodwill and determined that there was no need of impairment in 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 thousands (USD 283 thousands) and NIS 3,054 thousands (USD 809 thousands), 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, employees 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.

Adoption of New and Revised Standards and Interpretations

(1) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

- IAS 17 (amendment) "Leases"

As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either ‘finance’ or ‘operating’ in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments). The Company entered into a long term lease agreement with the ILA with respect to a parcel of land which its facilities were constructed. The lease payments were paid in advance. The prepaid lease payments which were recognized in the balance sheet as "Prepaid Expenses" was classified to "Fixed Assets".

- IAS 27 (Amended) “Consolidated and Separate Financial Statements “

The standard prescribes the rules for the accounting treatment of consolidated and separate financial statements. Among other things, the standard stipulates that transactions with non-controlling shareholders, in the context of which the company holds control of the subsidiary before and after the transaction, will be treated as capital transactions. In the context of transactions, subsequent to which the company loses control in the subsidiary, the remaining investment is to be measured as of the date that control is lost, at fair value, with the difference as compared to book value to be recorded to the statement of operations. The non-controlling interest in the losses of a subsidiary, which exceed its share in shareholders’ equity, will be allocated to it in every case, while ignoring its obligations and ability to make additional investments in the subsidiary.

The provisions of the standard apply to annual financial reporting periods which start on January 1, 2010 and thereafter. Earlier adoption is permitted, on the condition that it will be done simultaneous with early adoption of IFRS 3 (amended). The standard will be implemented retrospectively, excluding a number of exceptions, as to which the provisions of the standard will be implemented prospectively.

(2) Standards and Interpretations adopted with no effect on financial statements

- IAS 27 (Revised) "Consolidated and Separate Financial Statements"

The amendment provides, among other, that it is possible to designate changes in cash flows resulting from exposure to inflationary risks as specified items. In addition, the amendment states that the internal value, unlike the time value of purchased options, eligible to serve as a hedging instrument of a one party risk arising from a transaction anticipated. The standard is effective for annual periods beginning on or after January 1 2010.

- IFRS 8 Operating Segments

In the framework of the Improvements to IFRSs project from 2009, IFRS 8, with respect to Operating Segments, was amended. According to the Amendment, disclosure of a measure of segment assets is required only if that measure is regularly reported to the chief operating decision maker. The standard is effective for annual periods beginning on or after January 1 2010.

- Amendments to IAS 7 Statement of Cash Flows (adopted in advance of effective date of 1 January 2010)

The amendments specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. At this stage, the management of the Company cannot estimate the influence of the implementation of the standard on the financial statements of the Company. The standard is effective for annual periods beginning on or after January 1 2010.

- Amendment to IAS 36 "Impairment of Assets"

The amendment states that in the allocation of goodwill to cash-generating units or groups of cash-generating units for impairment examination, each unit or group of units will not be a segment of activity, before grouping segments with similar economic characteristics to one sector. The standard is effective for annual periods beginning on or after January 1 2010.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. The standard is effective for annual periods beginning on or after January 1 2010.

(3) Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

- IFRIC 19 -Extinguishing Liabilities with Equity Instruments

The Interpretation applies when a debtor extinguishing a liability fully or partly by issuing equity instruments to the creditor. If a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39. Accordingly, the debtor should derecognize the financial liability fully or partly. The debtor should measure the equity instruments issued to the creditor at fair value, unless fair value is not reliably determinable, in which case the equity instruments issued are measured at the fair value of the liability extinguished. If it does, the debtor must allocate the fair value of the consideration paid between the liability extinguished and the liability retained. The debtor recognizes in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the measurement of the equity instruments issued. The provision of IFRIC 19 is effective for period beginning on January 1, 2011.

- IFRS 9 Financial Instruments

The Standard is part of the wider project to replace IAS 39 Financial Instruments: Recognition and Measurement, and replaces IAS 39 with respect to classification and measurement of financial assets. The standard requires financial assets to be measured at amortized cost or fair value. An investment in a debt investment is measured at amortized cost if the objective of the business model is to hold assets in order to collect contractual cash flows and the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

In addition, embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. Instead, the entire hybrid contract is assessed for classification using the principles above. Moreover, investments in equity instruments are measured at fair value and gains and losses on re-measurement are recognized in the statement of income. However, for an investment in an equity instrument that is not held for trading, the Standard allows an entity to elect to present all fair value changes from the investment in other comprehensive income (except for dividends). No amount recognized in other comprehensive income is ever reclassified to the statement of income. The Standard does not apply to financial liabilities.

The standard is effective for annual periods beginning on or after January 1 2013. Earlier adoption is permitted, under certain conditions. The standard generally requires retrospective application, except for several exceptions. In particular, if an entity adopts the standard for reporting periods beginning before January 1 2012 it is not required to restate prior periods.

- IFRS 3 (Amended) “Business Combinations”

The new standard stipulates the rules for the accounting treatment of business combinations. Among other things, the standard determines measurement rules for contingent consideration in business combinations which is to be measured as a derivative financial instrument. The transaction costs directly connected with the business combination will be recorded to the statement of operations when incurred. Non-controlling interests will be measured at the time of the business combination to the extent of their share in the fair value of the assets, including goodwill, liabilities and contingent liabilities of the acquired entity, or to the extent of their share in the fair value of the net assets, as aforementioned, but excluding their share in goodwill.

As for business combinations where control is achieved after a number of acquisitions (acquisition in stages), the earlier purchases of the acquired company will be measured at the time that control is achieved at their fair value, while recording the difference to the statement of operations.

The standard will apply to business combinations that take place from January 1, 2010 and thereafter. Earlier adoption is possible, on the condition that it will be simultaneous with early adoption of IAS 27 (amended).

At this stage, the management of the Company cannot estimate the influence of the implementation of the standard on the financial statements of the Company.

- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

- Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

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, 2010		Year Ended December 31, 2009		Year Ended December 31, 2008	
Revenues	100	%	100	%	100	%
Cost of Sales	71.07	%	72.36	%	79.17	%
Gross Profit	28.93	%	27.64	%	20.84	%
Selling Expenses	12.93	%	11.73	%	11.00	%
General and Administrative Expenses	6.38	%	6.74	%	5.83	%
Other (Income) expense	(0.01	)%	(1.76	)%	0.64	%
Operating profit	9.64	%	10.93	%	3.36	%
Financial Income (expenses), Net	1.22	%	0.48	%	(1.67	)%
Profit before taxes on income	10.85	%	11.42	%	1.69	%
Taxes on income	2.44	%	1.66	%	0.39	%
Profit from continuing operations	8.42	%	9.75	%	1.30	%
Profit (loss) from discontinued operations	0.24	%	0.64	%	(1.21	)%
Profit for the year	8.66	%	10.39	%	0.09	%
Attributable to:						
Owners of the Company	8.09	%	10.03	%	(0.27	)%
Non-controlling interest	0.57	%	0.36	%	0.36	%
Net Income	8.66	%	10.39	%	0.09	%

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

Revenues. Revenues for the year ended December 31, 2010 increased by approximately NIS 44,898 thousand (USD 12,651 thousand), or 14.8%, to approximately NIS 348,358 thousand (USD 98,156 thousand) from NIS 303,460 thousand (USD 85,506 thousand) for the year ended December 31, 2009.

The growth in revenues in the year 2010 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 the year ended December 31, 2010 increased to approximately NIS 247,572 thousand (USD 69,758 thousand), or 71.07% of revenues, from approximately NIS 219,569 thousand (USD 61,868 thousand), or 72.36% of revenues, for the year ended December 31, 2009.

Throughout 2010, the Company introduced a large number of great-tasting, higher profit margin food products, which it had developed together with its suppliers, that boost sales while helped reducing the cost of sales margins.

The Company is mitigating the effects of worldwide inflation in agricultural commodities and dairy products by working closely with suppliers to anticipate adverse price trends, building inventory accordingly and raising prices to its customers.

Gross Profit. Gross profit for the year ended December 31, 2010 increased to NIS 100,786 thousand (USD 28,398 thousand), or 28.93% of revenues, compared to a gross profit of approximately NIS 83,891 thousand (USD 23,638 thousand), or 27.64% of revenues, in the year ended December 31, 2009.

Selling Expenses. Selling expenses for the year ended December 31, 2010 increased to approximately NIS 45,048 thousand (USD 12,693 thousand), or 12.93%of revenues, from approximately NIS 35,598 thousand (USD 10,030 thousand), or 11.73% of revenues, for the year ended December 31, 2009.

The increase in selling expenses was primarily due to increase in advertising and promotion expenses of NIS 3,333 thousand (USD 939 thousand) from NIS 7,253 thousand (USD 2,044 thousands) in 2010 as compared to NIS 3,920 thousands (USD 1,105 thousands) in 2009, increase in transportation to customers expenses of NIS 2,054 (USD 579 thousand) from NIS 11,399 thousand (USD 3,212 thousands) in 2010 as compared to NIS 9,345thousands (USD 2,633 thousands) in 2009 and salaries of NIS 1,230 thousand (USD 347 thousand) from NIS 14,179 thousand (USD 3,995 thousands) in 2010 as compared to NIS 12,949 thousands (USD 3,649 thousands) in 2009.

General and Administrative Expenses. General and administrative expenses for the year ended December 31, 2010 increased to approximately NIS 22,217 thousand (USD 6,260 thousand), or 6.37% of revenues, from approximately NIS 20,451 thousand (USD 5,762 thousand), or 6.74% of revenues, for the year ended December 31, 2009. This increase of general and administrative expenses was attributed to increase in salaries and professional fees expenses of NIS 1,843 thousand (USD 519 thousand) NIS 14,426 thousand (USD 4,065 thousands) in 2010 as compared to NIS 12,583 thousands (USD 3,546 thousands) in 2009.

Other Expense (Income). Other income for the year ended December 31, 2010 amounted to NIS 47 thousand (USD 13 thousand), compared to other income of NIS 5,330 thousand (USD 1,502 thousand) for the year ended December 31, 2009. Other income for the year ended December 31, 2009 was mainly due to a capital gain on the purchase of additional shares in Gold frost in the amount of NIS 5,245 thousands (USD 1,478 thousands)

Operating Income. Operating income for the year ended December 31, 2010 increased by approximately NIS 396 thousand (USD 111 thousand), or by 1.19%, to approximately NIS 33,568 thousand (USD 9,458 thousand), or 9.64% of revenues, from approximately NIS 33,172 thousand (USD 9,347 thousand), or 10.93% of revenues, for the year ended December 31, 2009.

Financing Income (Expenses), Net. Financing income, net, for the year ended December 31, 2010 was approximately NIS 4,242 thousand (USD 1,194 thousand) compared to financing expenses, net, for the year ended December 31, 2009 of approximately NIS 1,471 thousand (USD 414 thousand). The financing income for the year ended December 31, 2010 primarily included gains from marketable securities of NIS 3,300 thousand (USD 930 thousand), compared to gains from marketable securities of NIS 2,652 thousand (USD 747 thousand) in the year ended December 31, 2009, and foreign currency differences of NIS 98 thousand (USD 28 thousand) in the year ended December 31, 2010, compared to NIS 884 thousand (USD 249 thousand) in the year ended December 31, 2009. The financing expenses for the year ended December 31, 2010 primarily included bank fees of NIS 698 thousand (USD 197 thousand), compared to NIS 564 thousand (USD 159 thousand) in the year ended December 31, 2009.

Profit before taxes on income. Profit before taxes on income for the year ended December 31, 2010 increased by approximately NIS 3,167 thousand (USD 892 thousand), or by 9.14%, to approximately NIS 37,810 thousand (USD 10,654 thousand) from NIS 34,643 thousand (USD 9,761 thousand) for the year ended December 31, 2009.

Taxes on Income. Taxes on income for the year ended December 31, 2010 increased to approximately NIS 8,483 thousand (USD 2,390 thousand) from approximately NIS 5,043 thousand (USD 1,421 thousand) in the year ended December 31, 2009. The increase in taxes on income in 2010 compared to 2009 was attributable to the increase in income before taxes.

Profit from continuing operations. Profit from continuing operations for the year ended December 31, 2010 decreased by approximately NIS 273 thousand (USD 77 thousand), or 1%, to approximately NIS 29,327 thousand (USD 8,263 thousand), or 8.42% of revenues, from approximately NIS 29,600 thousand (USD 8,340 thousand), equal to 9.75% of revenues, for the year ended December 31, 2009.

Profit (loss) from discontinued operations. Profit from discontinued operations for the year ended December 31, 2010 was approximately NIS 830 thousand (USD 234 thousand), compared to profit from discontinued operations of NIS 1,928 thousand (USD 543 thousand) for the year ended December 31, 2009. The profit from discontinued operations for the years ended December 31, 2010 and 2009 included the Company's export segment comprised of Baron, the Danish company and WF (Laish).

Profit for the year. Profit for the year ended December 31, 2010 decreased by approximately NIS 1,371 thousand (USD 386 thousand), to approximately NIS 30,157 thousand (USD 8,497 thousand), or 8.66% of revenues, from approximately NIS 31,528 thousand (USD 8,884 thousand), equal to 10.39% of revenues, for the year ended December 31, 2009.

Year Ended December 31, 2009 Compared With Year Ended December 31, 2008

Revenues. Revenues for the year ended December 31, 2009 increased by approximately NIS 14,392 thousand (USD 4,055 thousand), or 4.98%, to approximately NIS 303,460 thousand (USD 85,506 thousand) from NIS 289,068 thousand (USD 81,451 thousand) for the year ended December 31, 2008. This increase in revenues resulted mainly from intensive selling and marketing activity and from the launching of new products, especially in the import segment.

Cost of Sales. Cost of sales for the year ended December 31, 2009 decreased to approximately NIS 219,569 thousand (USD 61,868 thousand), or 72.36% of revenues, from approximately NIS 228,839 thousand (USD 64,480 thousand), or 79.17% of revenues, for the year ended December 31, 2008. The decrease in cost of sales was primarily due to the strong New Israeli Shekel (NIS) compared to the US dollar.

Gross Profit. Gross profit for the year ended December 31, 2009 increased to NIS 83,891 thousand (USD 23,638 thousand), or 27.64% of revenues, as compared to a gross profit of approximately NIS 60,229 thousand (USD 16,971 thousand), or 20.83% of revenues, in the year ended December 31, 2008. The increase in the gross profit margin was primarily due to increased revenues of higher margin products in 2009, the launch of new higher-margin products and the strong New Israeli Shekel (NIS) compared to the US dollar.

Selling Expenses. Selling expenses for the year ended December 31, 2009 increased to approximately NIS 35,598 thousand (USD 10,030 thousand), or 11.73% of revenues, from approximately NIS 31,800 thousand (USD 8,960 thousand), or 11.00% of revenues, for the year ended December 31, 2008. The increase in selling expenses was primarily due to an increase in advertising and promotion expenses NIS 3,920 thousands (USD 1,105 thousands) in 2009 as compared to NIS 2,195 thousands (USD 618 thousands) in 2008 and due to an increase in maintenance and rent expenses (NIS 4,801 thousands (USD 1,353 thousands) in 2009 as compared to NIS 3,700 thousands (USD 1,043 thousands) in 2008.

General and Administrative Expenses. General and administrative expenses for the year ended December 31, 2009 increased to approximately NIS 20,451 thousand (USD 5,762 thousand), or 6.74% of revenues, from approximately NIS 16,863 thousand (USD 4,751 thousand), or 5.83% of revenues, for the year ended December 31, 2008. This increase of general and administrative expenses was attributed to the payment of a management bonus that was linked to our financial results – an expense of NIS 4,078 thousands (USD 1,149 thousands) in 2009, compared to NIS 75 thousands (USD 219 thousands) that was recorded in 2008.

Other Expense (Income). Other income for the year ended December 31, 2009 amounted to NIS 5,330 thousand (USD 1,502 thousand), compared to other expense of NIS 1,846 thousand (USD 520 thousand) for the year ended December 31, 2008. Other income for the year ended December 31, 2009 was mainly due to a capital gain on the purchase of additional shares in Gold frost in the amount of NIS 5,245 thousands (USD 1,478 thousands). Other expense for the year ended December 31, 2008 was primarily due to a final arbitration award entered against the Company for damages in the amount of NIS 1,981 thousand (USD 558 thousand) in connection with a dispute with the Vitarroz Corp.

Operating Income. Operating income for the year ended December 31, 2009 increased by approximately NIS 23,452 thousand (USD 6,608 thousand), or by 241.28%, to approximately NIS 33,172 thousand (USD 9,347 thousand), or 10.93% of revenues, from approximately NIS 9,720 thousand (USD 2,739 thousand), or 3.36% of revenues, for the year ended December 31, 2008.

Financing Income (Expenses), Net. Financing income, net, for the year ended December 31, 2009 was approximately NIS 1,471 thousand (USD 414 thousand) compared to financing expenses, net, for the year ended December 31, 2008 of approximately NIS 4,840 thousand (USD 1,364 thousand). The financing income for the year ended December 31, 2009 primarily included gains from marketable securities of NIS 2,652 thousand (USD 747 thousand), compared to losses from marketable securities of NIS 4,836 thousand (USD 1,363 thousand) in the year ended December 31, 2008, and foreign currency differences of NIS 884 thousand (USD 249 thousand) in the year ended December 31, 2009, compared to NIS 1,602 thousand (USD 451 thousand) in the year ended December 31, 2008. The financing expenses for the year ended December 31, 2009 primarily included bank fees of NIS 564 thousand (USD 159 thousand), compared to NIS 584 thousand (USD 165 thousand) in the year ended December 31, 2008.

Profit before taxes on income. Profit before taxes on income for the year ended December 31, 2009 increased by approximately NIS 29,763 thousand (USD 8,386 thousand), or by 609.90%, to approximately NIS 34,643 thousand (USD 9,761 thousand) from NIS 4,880 thousand (USD 1,375 thousand) for the year ended December 31, 2008.

Taxes on Income. Taxes on income for the year ended December 31, 2009 increased to approximately NIS 5,043 thousand (USD 1,421 thousand) from approximately NIS 1,117 thousand (USD 315 thousand) in the year ended December 31, 2008. The increase in taxes on income in 2009 compared to 2008 was attributable to the increase in income before taxes.

Profit from continuing operations. Profit from continuing operations for the year ended December 31, 2009 increased by approximately NIS 25,837 thousand (USD 7,280 thousand), or 686.61%, to approximately NIS 29,600 thousand (USD 8,340 thousand), or 9.75% of revenues, from approximately NIS 3,763 thousand (USD 1,060 thousand), equal to 1.30% of revenues, for the year ended December 31, 2008.

Profit (loss) from discontinued operations. Profit from discontinued operations for the year ended December 31, 2009 was approximately NIS 1,928 thousand (USD 543 thousand), compared to a loss from discontinued operations of NIS 3,496 thousand (USD 985 thousand) for the year ended December 31, 2008. The profit (loss) from discontinued operations for the years ended December 31, 2009 and 2008 included the Company's export segment comprised of Baron, the Danish company and WF (Laish).

Profit for the year. Profit for the year ended December 31, 2009 increased by approximately NIS 31,261 thousand (USD 8,808 thousand), to approximately NIS 31,528 thousand (USD 8,884 thousand), or 10.39% of revenues, from approximately NIS 267 thousand (USD 75 thousand), equal to 0.09% of revenues, for the year ended December 31, 2008.

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, apart from Shamir.

For the year ended December 31, 2010, cash and cash equivalents increased from approximately NIS 87.1 million (USD 24.5 million) as of December 31, 2009 to approximately NIS 113.6 million (USD 32.0 million) as of December 31, 2010.

During the year ended December 31, 2010, marketable securities increased to NIS 67.9 million (USD 19.1 million) from NIS 11.4 million (USD 3.2 million) as of December 31, 2009.

Cash flow from operating activities

For the year ended December 31, 2010, the Company generated a positive cash flow from continuing operating activities of approximately NIS 20.4 million (USD 5.8 million), compared to positive cash flow from continuing operating activities of approximately NIS 14.8 million (USD 3.9 million) in the year ended December 31, 2009, primarily as a result of a decrease in trade and other payables' and other current liabilities of approximately NIS 12.4 million (USD 3.5 million) and of unrealized gain on marketable securities of approximately NIS 3.3 million (USD 0.9 million).

For the year ended December 31, 2009, the Company generated a positive cash flow from continuing operating activities of approximately NIS 14.8 million (USD 4.2 million), compared to positive cash flow from continuing operating activities of approximately NIS 15.6 million (USD 4.4 million) in the year ended December 31, 2008, primarily as a result of an increase in current assets of approximately NIS 18.2 million (USD 5.1 million) and of unrealized gain on marketable securities of approximately NIS 2.7 million (USD 0.8 million).

For the year ended December 31, 2008, the Company generated a positive cash flow from continuing operating activities of approximately NIS 15.6 million (USD 4.4 million), compared to positive cash flow from continuing operating activities of approximately NIS 11.2 million (USD 3.2 million) in the year ended December 31, 2007, primarily as a result of an increase in trade and other payables, and other current liabilities of approximately NIS 11.0 million (USD 3.1 million) and of unrealized loss on marketable securities of approximately NIS 5.2 million (USD 1.5 million) which was offset by an increase in trade receivables and other receivables of approximately NIS 4.7 million (USD 1.3 million).

Cash flow from investing activities

During the year ended December 31, 2010, the Company utilized cash flow of NIS 59.8 million (USD 16.8 million) for continuing investing activities, compared to NIS 2.1 million (USD 0.6 million) in 2009, primarily for the purchase of marketable securities, net, in the total amount of NIS 53.2 million (USD 14.9 million).

During the year ended December 31, 2009, the Company utilized cash flow of NIS 2.1 million (USD 0.6 million) for continuing investing activities, compared to NIS 3.1 million (USD 0.9 million) in 2008, primarily for the purchase of additional shares of Gold Frost in the total amount of NIS 2.3 million (USD 0.6 million).

During the year ended December 31, 2008, the Company utilized cash flow of NIS 3.1 million (USD 0.9 million) for continuing investing activities, primarily for the purchase of the subsidiaries (Shamir and the Danish dairy distributor) and the purchase of additional shares of Gold Frost in the total amount of NIS 14.9 million (USD 42.0 million) and for additions to fixed assets of NIS 3.1 million (USD 0.9 million), which was offset by proceeds from realization of marketable securities, net, in the amount of NIS 16.7 million (USD 4.7 million).

Cash flow from financing activities

During the year ended December 31, 2010, the Company generated a positive cash flow from continuing financing activities of NIS 66.8 million (USD 18.8 million) mainly due to proceeds from a public offering.

During the year ended December 31, 2009, the Company utilized cash flow from continuing financing activities of NIS 4.6 million (USD 1.3 million) mainly due to short term bank borrowings.

Cash requirements

The Company’s cash requirements, net, during the years ended December 31, 2010 and 2009 were met primarily through its working capital. As of December 31, 2010, the Company had working capital of approximately NIS 249.0 million (USD 70.2 million) compared to working capital of NIS 148.4 million (USD 41.8 million) as of December 31, 2009. 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, 2010 was NIS 85.9 million (USD 24.2 million), compared to the trade receivables balance as of December 31, 2009 which was in the amount of NIS 77.8 million (USD 21.9 million). The average time period within which our accounts receivable were paid was 90 days in 2010, compared to 91 days in 2009.

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 3.549 on December 31, 2010, compared to NIS 3.775 on December 31, 2009, NIS 3.802 on December 31, 2008, NIS 3.846 on December 31, 2007 and NIS 4.225 on December 31, 2006. As of June 24, 2011, the representative rate of the U.S. Dollar was NIS 3.445.

The annual rates of inflation in Israel during the years ended December 31, 2006, 2007, 2008, 2009, and 2010 were approximately (0.1%), 3.4%, 3.8%, 3.9% and 2.76% respectively, while during such periods the devaluation of the NIS against the U.S. Dollar was approximately (8.2%), (9.0%), (1.1%), (0.7%) and (5.8%), respectively. During each of the years ended December 31, 2006, 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. and 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, 2010 was approximately NIS 8,043 thousand (USD 2,266 thousand).

The Company also guarantees, without limitation as to amount and for an unlimited period of time, 51% of the obligations of its subsidiary, Shamir, to Bank Mizrahi Tefahot Ltd, Israel Discount Bank Ltd. and Ben-Leumi Le'Israel Ltd. As of December 31, 2010, Shamir obligations to those banks amounted to NIS 6,089 thousand (USD 1,716 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, 2010, 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. Revenues in 2010 of 348,358 (USD 98,156) compared to NIS 303,460 thousands (USD 85,506) in 2009, and NIS 289,068 thousands (USD 81,450 thousands) in 2008 and a gross margin of 28.93% in 2010 compared to 27.64% in 2009, and 20.83% in 2008.

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.

In the U.S., despite the declining Jewish population (due to intermarriage and lower birth rates), a published report from August 2010 ("United States Kosher Food Market Brief" – Agri-Food Trade Service) concluded that global demand for kosher products is growing because of demand for kosher products is not limited to just the Jewish population. As the U.S. kosher market grows and becomes increasingly popular, a greater number of retail outlets have directed their attention towards buying kosher foods. Kosher foods, are among the fastest growing current trends in food processing. 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, accounting for more than 75% of non-Jewish kosher-seeking consumers. Despite their unique characteristics kosher-food customers are marked by two key factors: 1) higher than average spending power and 2) a willingness to spend more for products that they deem superior in quality and intrinsic value. 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.

E. OFF-BALANCE SHEET ARRANGEMENTS

Not applicable

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table of the Company's material contractual obligations as of December 31, 2010 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 3,401 (USD 958)	NIS 3,401 (USD 958)	--	--	--
Loans from banks (*)	NIS 6,089 (USD 1,716)	NIS 5,780 (USD 1,629)	NIS 309 (USD 87)	--	--
Lease agreements	NIS 984 (USD 277)	NIS 548 (USD 154)	NIS 436 (USD 123)	--	--
Total	NIS 10,474 (USD 2,951)	NIS 9,729 (USD 2,741)	NIS 745 (USD 210)	--	--

(*) The interest rates are as follows:
Overdraft in the amount of NIS 2,214 thousand (USD 624 thousand) bears interest at an annual rate of prime +1.11% through prime+3.25%.
Short term bank loans in the amount of NIS 3,622 thousand (USD 1,021 thousand) bear annual interest of rime+1.05% through prime+2%.
Long term bank loans in the amount of NIS 1,196 thousand (USD 337 thousand) bear annual interest of prime-0.25% through prime+2.25%.

G. 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;

- we may not successfully integrate our prior acquisitions;
- 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;
- our inability to maintain an effective system of internal controls;
- 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;
- difficulties in acquiring jurisdiction and enforcement liabilities against our officers and directors who are based in Israel; 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.

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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
Joseph Williger	54	Chief Executive Officer and Director
Zwi Williger	56	Chief Operating Officer and Chairman of the Board
Talma Barbash Knoller (1)	53	External Director
Ariel Herzfeld (1)	56	External Director
Chaim Gertal (1)	75	Director
Gil Hochboim	41	Vice President
Baruch Shusel	44	Chief Financial Officer

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

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:

Joseph Williger has served as the Chief Executive Officer (or general manager) and a Director of the Company since its inception in January 1994. 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 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. Mr. Williger is the brother of Zwi Williger, Chief Operating Officer and Chairman of the Board of Directors of the Company.

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. Mr. Williger has also served as a director of the Company's subsidiaries, W.F.D., Gold Frost and Chairman of Shamir, since November 1996, April 2001 and January 2008, respectively. 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, Chief Executive Officer and a director of the Company.

Talma Barbash Knoller, has served as an external director since January 2011. Ms. Barbash Knoller is a member of the Audit Committee of the Company. Ms. Barbash Knoller is a Certified Public Accountant (Isr.). Ms. Barbash Knoller serves as a director and on the Investments, Comptrollers and Solvency committees of Shlomo Insurance Company Ltd. Between 2007 and 2010 Ms. Barbash Knoller served as business development officer of Naama Naot Ltd., an affiliate of the Shamrock group. Between 1996 and 2007 Ms. Barbash Knoller served as Chief Comptroller of Gmul Investment Company Ltd. (a public holding company). Ms. Barbash Knoller earned her BA degree in accounting and BA in Economy and Statistics from Tel-Aviv University, 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 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. 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.

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 2010 was approximately NIS 3.9 million (USD 1.1 million), excluding bonuses in an aggregate amount of approximately NIS 4.2 million (USD 1.1 million) paid to Messrs. Joseph and Zwi Williger. These amounts include all contingent or deferred compensation payable to directors or officers during 2010. These amounts also include payments to non-executive directors in the aggregate amount of approximately NIS 176 thousand (USD 50 thousand) during 2010.

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 was 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.

These amendments were approved unanimously by the Audit Committee and the Board of Directors on May 4, 2005, and 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 July 20, 2005.

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.

The amendments were approved unanimously by the Audit Committee and the Board of Directors on January 2, 2008, and 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 March 13, 2008.

Under the Transfer Agreement dated February 16, 2006, and effective as of January 1, 2006 between the Company and Gold Frost, 50% of the Company’s rights and obligations stipulated in the management agreement with Mr. Zwi Williger were transferred to Gold Frost and 20% of the Company’s rights and obligations stipulated in the management agreement with Mr. Joseph Williger were transferred to Gold Frost.

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. Talma Barbash Knoller, Haim Gertal and Ariel Herzfeld qualify as independent directors under the current Nasdaq requirement and are members of the Audit Committee 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.

Furthermore, Israeli Companies law requires that the financial statements of a company be brought before committee of the board, the financial statements review committee. The majority of the members of this committee are required to be independent directors, in accordance with the independence criteria set forth in the Israeli Companies law, and the committee is to be chaired by an external director. The committee is required to discuss the financial statements and present to the board its recommendations with respect to the proposed financial statements. Israeli Companies law permits the audit committee of a company to perform the functions of the financial statements review committee, provided the audit committee meets the requirements set forth regarding the composition and function of the financial statements review committee. Since our audit committee meets these requirements, the Company’s audit committee also performs the functions of the financial statements review committee.

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.

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 Directors of the Company are Mrs. Talma Barbash Knoller, who was appointed as an External Director in January 2011, and 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.

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 director, 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 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.

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

Since December 31, 2010, the Company, including its subsidiaries, employed a total of 227 persons (all of them are located in Israel), 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 (manufacturing, warehousing and transportation). This compares with 242 employees as of December 31, 2009, 19 of whom were in management, 23 of whom were in accounting and importing positions, 42 of whom were involved in the Company's sales and marketing departments, and 158 of whom were employed in logistics networks (warehousing and transportation).

Since December 31, 2010, 73 additional employees (stewards and sales people) were engaged on an hourly basis. On December 31, 2009, the number was 77. 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”.

During the first half of 2009, the Company's management took actions to reduce the Company's expenses by, among other things, a temporary six-month 5% decrease in management's salaries.

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 7.5% of his insured salary, and the Company contributes an additional sum of between 6.66% to 15.83% 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 6.95% to 17.90% of wages; the employee’s share being 3.5% to 12% (depending on the marginal level of wages) and the employer’s share being 3.45% to 5.90%.

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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 June 24, 2011, the number of ordinary shares beneficially owned by (i) each shareholder known to the Company to own more than 5% of the ordinary shares and (ii) all directors and officers as a group:

Name and Address	Number of Ordinary Shares Beneficially Owned		Percentage of Ordinary Shares	
Willi Food (1)	7,171,737		52.84	%
Joseph Williger (1)(2)	7,180,337	(2)	52.90	%
Zwi Williger (1)(2)	7,676,144	(2)	56.55	%
All directors and officers as a group (2 persons)	7,684,744	(2)	56.61	%

(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 7,171,737 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 Zvi V & 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 5,888,935 Ordinary Shares (approximately 43.38% 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 June 24, 2011, there were 18 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 June 24, 2011 approximately 74.95% 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 and Chief Operating Officer of the Company, and Mr. Joseph Williger, a director and Chief Executive Officer of the Company, through Williger Management Companies, see "Item 6. Directors, Senior Management and Employees - 6B. Compensation - Management Service Agreements".

Lease

Shamir leases two joined buildings for its operation (factory, logistics and head office) owned by Plasto construction Ltd. and Industrial Buildings Corporation Ltd.- the first is 2,516 square meters, the monthly rent is NIS 40,432 (USD 11,393) (linked to the Israeli CPI from December 2005) and the lease ends on January 2012. The second is 2,192 squared meters, the monthly rent is NIS 41,141 (USD 11,592) (linked to the Israeli CPI from December 2005) and the term of the lease ends on January 2012. In addition to these two joined buildings, Shamir leases cooling chambers and offices located in Beer-Sheva owned by Raguan brothers Ltd. and in Miluot owned by Miluot Ltd.

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.

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 2010, the amount retained by the Company pursuant to this arrangement was NIS 146 thousand (USD 41 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 13 2007, a suit was filed against the Company, in which a financial remedy was requested in the amount of NIS 144,543 due to the alleged violation of a distribution agreement and the illicit collection of payments. On September 6, 2009, both the plaintiffs and the Company filed their summations. 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 their opinion is conditional in light of the inquiries conducted for the case and in light of the court's remarks regarding the failure to disclose the entirety of the relevant documents. Therefore, the Company estimates that there is a chance the court will accept the plaintiff's claim, and therefore the Company's financial statements include a provision for the entire sum of the claim.

(2) On February 21, 2007, a lawsuit was filed against Goldfrost 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 Goldfrost will have to pay a certain amount and therefore the Company's financial statements include a provision for a certain sum of the claim.

(3) 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. The parties started performing the preliminary proceedings.

At the current preliminary stage of the dispute, the Company's management and legal counsel cannot assess the chances of the parties.

(4) On July 7, 2008, WF filed a lawsuit in the Supreme Court of the State of New York, Country of New York, against Laish Israeli Food Ltd., Laish Dairy Ltd., 860 Nostrand Associates Llc., Arie Steiner, Eli Biran (WF's former CEO) and others. The plaintiffs assert claims, inter alia, of fraud, conversion and breach of contract against the seller and former principal of Laish Israeli Food and related parties. Certain defendants have filed motions to dismiss the claim. On August 27, 2008, 860 Nostrand Associates LLC. Filed a lawsuit against the Company, in the amount of USD 142,949(which shall be adjusted according to the alleged rent period) claiming that the defendant is liable to

it as a guarantor of a certain lease that was allegedly signed by WF. Damages are being sought. The discovery process in the proceedings has commenced and is ongoing. Limited discovery remains to be completed before the hearing which is not scheduled yet.

(5) 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.

(6) On May 14, 2009, the Company received from the Sellers of Shamir Salads (the "Sellers") a notice cancelling the acquisition agreement of Shamir Salads (the "Shamir agreement"), and on May 18, 2009, the Company was notified of unilateral actions taken by the Sellers with respect to a change in Shamir Salads's board composition and signatory rights and replacement of the articles of association of Shamir Salads in an effort by the Sellers to deprive the Company of its board representation and signatory rights in Shamir Salads.

The Company submitted an urgent application to the district court of Tel Aviv requesting, among other things, a declaratory judgment that the Agreement is in full force and effect and various injunctions against the Sellers. The court issued injunction providing that the Sellers are prohibited from taking any action not in accordance with the signatory rights in Shamir Salads in effect prior to May 18, 2009, performing any disposition of the shares of Shamir Salads held by the Company, taking any action not in accordance with the articles of association of Shamir Salads as in effect prior to May 18, 2009, and/or interfering with the functions of Shamir Salads's board of directors as composed prior to May 18, 2009. In addition, pursuant to the injunction, the Sellers are prohibited from interfering with the functions of the co-CEO of Shamir Salads nominated by the Company and/or from preventing the deputy CFO of Shamir Salads from participating in the discussions to approve the financial statements of Shamir Salads.

On June 17, 2009, the Sellers filed a petition with the district court in Tel Aviv for temporary relief against the Company and others, a declaratory judgment and other relief in connection with an alleged fundamental breach by the Company of the Shamir Agreement, and for the return of the shares in Shamir Salads and the consideration paid therefore. In a hearing which took place on June 22, 2009, the parties agreed (i) to suspend the court proceedings between the parties, (ii) to appoint an arbitrator in all aspects of the dispute, (iii) to hear the claims of both parties arising from the dispute, and (iv) that the application for temporary relief filed by the Sellers be removed. The temporary injunction against the Sellers will remain in effect until the end of the arbitration proceedings. In the framework of these proceedings, the Company submitted a claim for declaratory relief pursuant to which the Seller’s notice of cancellation of the Shamir Agreement was given unlawfully and is void, as well as for an advance that was paid in excess and of additional damages that was caused to the Company in the amount of approximately NIS 3.9 million (USD 1.1 million).

On August 4, 2009, the Sellers submitted a counterclaim against the Company and others for declaratory orders determined in proceedings that were submitted to the court, as well as for payment to Sellers of a sum of NIS 6.97 million (USD 1.9 million) for non-payment of the consideration in the Shamir Agreement and tarnishing the Sellers’ reputation and good name, and a sum of NIS 3.5 million (USD 1.0 million) to Shamir Salads for damages that the Company allegedly caused to Shamir Salads and its reputation, as well as a petition to split relief. Claims for additional relief against additional defendants (but not including the Company) were also included in the framework of the claim. The evidentiary stage of the arbitration proceedings commenced on November 3, 2009 On December 24, 2009 the sellers submitted a request, which was accepted, to correct its statement of claim. On January 27, 2010, the Company submitted an amended statement of defense. On February 28, 2010, the Sellers submitted an amended statement of reply. Hearings regarding the arbitration took place from November 2009 and further hearings will take place during 2011. The Company, based on the opinion of its legal counsel, believes that the plaintiffs' likelihood of success in the proceedings is low and the Company's success in the proceedings is higher than 50 percent.

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(7) On November 2010, the Company was served with a purported class action lawsuit alleging that it misled its customers by illegally marking a lower calorie value of a product than its real value. The groups which the lawsuit desires to represent include any Israeli resident who bought this product due to such person’s preference for low calorie product (the “Group”). The plaintiff appraises the group's damages at NIS 2.5 million (approximately USD 700 thousand). On January 2011, the Company presented the prosecution with an official notice from the products manufacture together with test results from an external laboratory that the calorie value indicated on the product was accurate. At the current preliminary stage of the dispute, the Company's management and legal counsel cannot assess the chances of the parties.

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
2011		
Second Quarter (through June 24, 2011)	7.85	6.94
First Quarter	7.90	6.55
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