BAGIR GROUP
Global Innovative Tailoring

ANNUAL REPORT & ACCOUNTS

2014

For the year ended December 31, 2014

Contents

Board of Directors, Secretary and Advisers

Directors

Keith Hamill OBE (Non-Executive Chairman)
Daniel Shalom Taragan (Chief Executive Officer)
Yehuda Cohen (Chief Financial Officer)
George Adams Independent (Non-Executive Director)
Fiona Holmes (Independent Non-Executive Director)
Tessa Laws (Independent Non-Executive Director)
Samuel Vlodinger (Non-Executive Director)
Marc Zalcman (Non-Executive Director)

Company Secretary

Inbal Gedalia, Adv. c/o Lipa Meir & Co.
Beit Amot Hashkaot 2 Weizmann Street
Tel-Aviv 64239, Israel

Registered Office

44 Israel Pollack Road
Kiryat Gat 82101, Israel

Website

www.bagir.com

Nominated Adviser and Broker

N+1 Singer
One Bartholomew Lane
London EC2N 2AX

Legal advisers to the Company as to English Law

kuit steinart levy LLP
3 St Mary's Parsonage Manchester M3 2RD

Legal advisers to the Company as to Israeli Law

Lipa Meir & Co.
Beit Amot Hashkaot 2 Weizmann Street
Tel Aviv 64239, Israel

Internal Auditor

Dana Gottesman- Erlich, C.P.A (Isr.),
MA,CIA,CRMA
BDO Consulting Group
Head Office: Amot Bituach House
Building B 48
Menachem Begin Road,
Tel-Aviv 66180, Israel

Auditors to the Company

Kost Forer Gabbay & Kasierer,
A member of Ernst & Young Global
3 Aminadav Street
Tel Aviv 67067, Israel

Public Relations adviser to the Company

FTI Consulting
200 Aldersgate Aldersgate Street
London EC1A 4HD

Registrar

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue St Sampson
Guernsey GY2 4LH

Highlights

About the Company

Bagir Group and its subsidiaries ("Bagir" or "the Company") designs, creates and provides innovative formalwear tailoring for globally renowned department stores and premium private label brands across the world.

Financial highlights

- Revenue of $97.0m (2013: $99.5m)
- Gross margin of 17.4% (2013: 18.8%)
- Operating income of $0.5m (2013: $3.6m)
- Adjusted operating income of $3.4m* (2013: $5.6m)
- Profit (loss) before tax of $(3.2)m (2013: $(1.2)m)
- Adjusted profit (loss) before tax of $(0.3)m* (2013: $0.9m)
- Adjusted EBITDA of $3.8m** (2013: $6.1m)
- Basic and fully diluted earnings (loss) per share of $(0.09)*** (2013: $(0.39))
- Net debt at 31 December 2014 of $12.5m (31 December 2013: $50.3m)
- Cash and cash equivalents at 31 December 2014 of $11.4m (31 Dec. 2013: $2.7m)

---

* Adjusted for amortization of intangible assets of $2.4m, IPO expenses of $0.3m and non-recurring recovery plan consultancy costs of $0.2m (PBT including finance expenses on pre IPO debt)

** Adjusted for depreciation of $0.4m, amortization of $2.4m, IPO expenses and non-recurring recovery plan consultancy costs

*** Including finance expenses on pre IPO debt

Strategic and Financial Review

In April 2014, Bagir completed a successful admission to trading on the AIM Market of the London Stock Exchange, raising approximately £20.0 million (US$33.5 million) before expenses through the placing of 35,714,285 new shares. IPO related costs amounted to approximately $3.8 million.

As announced in May 2014, the business lost a substantial proportion of its planned revenue due to a change in the buying strategy by its largest customer. The Company has however successfully grown revenue elsewhere by approximately 30% (excluding workwear) through additional sales to other existing and new retail customers.

In November 2014, the Company purchased a 50% stake in Nazareth Garments Share Company ("Nazareth"), an Ethiopian company which owns and operates a garment factory in Ethiopia. As this business and its facilities are developed as part of Bagir's investment, it is expected to give Bagir a strong competitive advantage due to its duty free exports to the EU and US, its competitive production costs and government's support for the textile industry.

In September 2014 the Company announced a comprehensive review of its business strategy and operating processes. This review has now completed and the Company has commenced a two year recovery plan. This plan is designed to increase the competitiveness of our business through both operational improvements and cost reductions.

The Company will continue to focus on growing its quality tailored menswear private label business through existing and new customers. In addition, the Company is planning to further develop its brand licensing activity, mainly in the US, on a royalty paid basis. As part of the recovery plan the Company's production and management processes will be restructured, with efficiency improvements supported by additional IT development. Once fully implemented, the plan is expected to achieve significant annual cost reductions.

The comprehensive two year recovery plan and the increased competitive advantage of the new factory in Ethiopia along with the organic growth with customers and additional private label sales, are expected to deliver improved results in future years and strengthen the position of the Company in its market place.

The Company's financial covenants have been reset by the Company's banks for the years 2015 and 2016, in line with the Company's updated financial projections.

Revenue

Revenue for the year ended 31 December 2014 was $97.0m. This was a $2.5m reduction on the comparable period last year, which was due mainly to the reduction in sales to the

Company's largest customer and a large project for a customer that was completed by the Company during 2013, which as expected, did not continue into 2014. This was partly offset by increased revenues with other customers in the UK and in the US during 2014.

Gross margin

The gross margin for the year ended 31 December 2014 was 17.4% compared with 18.8% for 2013. This decline was mainly due to the reduction in business from the Company's largest customer, the completion of the large project mentioned above which had relatively higher margins, negative currency impact of the devaluation of the pound\dollar exchange rate and the higher depreciation of amortized intangible assets ($1.6m in 2014 compared to $1.1m in 2013).

Operating expenses

The general and administrative expenses increased to $4.3m in the period (2013: $3.7m), due predominantly to the additional administrative costs associated with being a quoted company. In addition, $0.3m one-off costs were incurred associated with the Company's IPO. These costs have been included as part of the Company's operating expenses for the period.

The two year recovery plan being implemented by the Company is, once fully implemented, expected to reduce operating costs going forward.

Adjusted operating income and profit (loss) before taxation

Adjusted operating income and profit (loss) before tax (before $2.4m amortization of intangible assets (2013: $2.0m) and before $0.3m IPO expenses and $0.2m non-recurring recovery plan consultancy costs) for the year ended 31 December 2014 was $3.4m and $(0.3)m respectively, compared with $5.6m and $0.9m respectively for 2013. The loss before tax was after finance expenses on pre-IPO debt.

Adjusted EBITDA

Adjusted EBITDA (before IPO expenses and non-recurring recovery plan consultancy costs) for the year ended 31 December 2014 was $3.8m (2013: $6.1m).

Loss per share

Basic and fully diluted earnings (loss) per share for the period was $(0.09) (2013: $0.39 loss).

Net debt

As at 31 December 2014, net debt decreased significantly to approximately $12.5m compared with $50.3m at 31 December 2013. Net debt reduced as a result of the Company's IPO in April 2014 and the conversion of the Company's capital notes to shareholders and loans from shareholders into equity.

Cash and cash equivalents

As at 31 December 2014, cash and cash equivalents increased to $11.4m compared with $2.7m at 31 December 2013, as a result of the IPO proceeds.

Outlook

Despite the reduction in sales from the Company's largest customer, the Company expects to continue to grow the revenues from other existing and new customers in the UK and in the US.

Once fully implemented, the recovery plan is expected to reduce the Company's operating costs, improve efficiency and enhance the Company's sales and marketing performance.

In addition, the newly purchased production facility in Ethiopia is expected to give Bagir a strong competitive advantage once the planned upgrades have been implemented.

Board of Directors

Keith Hamill OBE, FCA Non-Executive Chairman

Keith is currently Chairman of Horsforth Holdings Limited and a Non-Executive Director of easyJet plc and Samsonite International SA. He was appointed to the Board in April 2014 and was independent at appointment.

He was a partner in Price Waterhouse, Group Finance Director of WH Smith and Forte, Finance Director of United Distillers and Director of Financial Control of Guinness. He has been Chairman of a number of listed and private companies, including Moss Bros, Tullett Prebon, Travelodge, and Collins Stewart. and a Non-Executive Director of a number of listed companies including Electrocomponents, Max Property Group and Cadmus Communications Corp.

Daniel Taragan Chief Executive Officer

Daniel joined Bagir in 2010 as Chief Executive Officer and was appointed to the Board in April 2014. Prior to joining Bagir, he spent 17 years as Chief Executive Officer of TANA Water, a global water cooler company. He previously held board positions at the Water Quality Authority and the Magid Institute. Daniel has an MBA from The Hebrew University of Jerusalem and completed an Advanced Business Course (JIM) at Harvard University in the US.

Yehuda Cohen Chief Financial Officer

Yehuda joined the Group in 2012 as Chief Financial Officer, supporting the Group's growth and the control over its worldwide operations. He was appointed to the Board in April 2014. He is a qualified Certified Public Accountant with more than 15 years' experience with both private and public companies with global operations in the high-tech and industrial sectors. Prior to joining the Group, Yehuda was Chief Financial Officer of IDIT I.D.I. Technologies Ltd., Corporate Controller at RoboGroup Ltd. and Finance Manager at LivePerson Inc. He has an MBA from Technion Israel Institute of Technology and a BA in Economics and Accounting from Tel Aviv University.

Fiona Holmes Independent Non-Executive Director (A) (R) (N)

Fiona is currently the managing director of Figleaves and has over 20 years' experience in the clothing retail sector. She was appointed to the Board in April 2014.

Fiona was the marketing, buying and merchandising director at Charles Tyrwhitt for three years following holding a variety of roles at M&S including M&S Director of Childrenswear & GM procurement and Category Manager in the men's formal wear department. She is Chairman of the Nomination Committee.

George Adams Independent Non-Executive Director (A) (R) (N)

George was appointed to the Board in April 2014. George was previously CEO Maxeda DIY in the Benelux. Previously he held senior management positions at Kingfisher PLC (including Kingfisher PLC, B&Q Plc and FW Woolworth Plc) Makro UK and Management Horizons Europe Management Consultancy.

Marc Zalcman Non-Executive Director

Marc was appointed as a non-executive director of Bagir in April 2014 (prior to the IPO he was a director of the Board). He has many years of experience in investment banking and mergers and acquisitions. He is a financial advisor to leading Israeli investment groups and a shareholder and board member of several companies.

Prior to his current activities, Marc was Vice President at the Giza Group (a leading investment bank), Real Estate Appraiser at Grinberg Olpiner-Shelef, and Senior Analyst at Giza Financial Advisory Services.

Marc holds a BA in Economics, and a diploma in real estate appraisal and management both from the Tel Aviv University.

Samuel Vlodinger Non-Executive Director

Samuel was appointed as a non-executive director of Bagir in April 2014 (prior to the IPO he was the Chairman of the Board). Samuel is Senior Partner at FIMI Private Equity, a leading private equity group in Israel. He is currently Chairman of Tadirgan Group Ltd, TAT Technologies, Raval ACS Ltd and Ginegar Plastic Ltd.

Samuel has an Engineering degree from Technion Israeli Institute of Technology.

Tessa Rebecca Laws Independent Non-Executive Director (A) (R) (N)

Tessa is a lawyer, and specialises in corporate transactions in the media and renewable energy sectors. She was appointed to the Board in April 2014. Tessa has successfully established her own legal practice and consultancy, and is a non-executive director of apc Technology Group plc. She is Chairman of the Remunerations Committee.

A = member of the Audit Committee
R = member of the Remuneration Committee
N = member of the Nomination Committee

Directors' Report

The Directors are pleased to present their report together with the audited accounts of the Company and its subsidiaries for the year ended December 31, 2014.

1. Principal activities

Bagir Group designs, creates and provides innovative formalwear tailoring for globally renowned department stores and premium private label brands across the world. Bagir is a full service vendor with a complete end-to-end range of capabilities which customers draw on to varying degrees as a result of the complexities of formalwear tailoring production.

The Company was founded in 1961. In April 2014 the Company completed an initial public offering ("IPO") and its shares were admitted to trading on the London Stock Exchange's AIM Market.

2. Financial Review

The results for the year 2014 are discussed on pages 6-7 and the full financial statements are from page 18 onwards.

3. Review of business and future prospects

A review of the Company's activities during this period and a review of future prospects are contained in the Strategic Report set out on page 5.

4. Share Capital

Details of the issued share capital of the Company and movements during the year 2014 are set out on note 24 to the financial statements.

5. Directors

The following Directors held office on December 31, 2014:
Keith Hamill OBE (Non-Executive Chairman), appointed in April 2014.
Daniel Shalom Taragan (Chief Executive Officer), appointed as director in April 2014.
Yehuda Cohen (Chief Financial Officer), appointed as director in April 2014.
Fiona Holmes (Independent Non-Executive Director), appointed in April 2014.
George Adams (Independent Non-Executive Director), appointed in April 2014.
Marc Zalcman (Non-Executive Director), appointed in April 2014.
Samuel Vlodinger (Non-Executive Director), appointed in April 2014.
Tessa Laws (Independent Non-Executive Director), appointed in April 2014.

Biographical details of the Directors are set out on pages 8-9.

6. Directors' Interests

As of December 31, 2014:

Director	Number of ordinary shares	Number of ordinary shares under option	Percentage of issued share capital on a fully diluted basis
Keith Hamill OBE	89,285	Nil	0.17%
Daniel Shalom Taragan	35,714	228,275***	0.51%
Yehuda Cohen	Nil	91,175***	0.18%
Samuel Vlodinger*	133,333	128,175***	0.51%
Marc Zalcman**	Nil	Nil	Nil
Tessa Laws	24,390	Nil	0.05%
Fiona Holmes	26,785	Nil	0.05%
George Adams	8,928	Nil	0.02%

* Samuel Vlodinger is a senior partner at First Israel Mezzanine Investors Ltd. ("FIMI") which, through FIMI Israel Opportunity Fund II, L.P., FIMI Opportunity Fund II, L.P. and FIMI Opportunity 2005 Ltd., is interested in 8,735,385 Ordinary Shares, in aggregate, representing 17.39 per cent of the total voting rights of the Company. Samuel Vlodinger is therefore, directly and indirectly interested in 8,868,718 Ordinary Shares, in aggregate, representing 17.66 per cent of the total voting rights of the Company.

** Marc Zalcman, a Non-Executive Director of the Company, owns 14 per cent. of the issued share capital of Silverboim Industries Ltd, which in turn owns the entire issued share capital of S.G. Textile Holdings Ltd. that is interested in 8,050,110 Ordinary Shares representing 16.03 per cent of the total voting rights of the Company.

*** The exercise price of the above options are as follows:

Daniel Shalom Taragan: 138,785 options at NIS 0.04 exercise price per share, and 89,490 options at $1.6 exercise price per share. Yehuda Cohen: 55,435 options at NIS 0.04 exercise price per share, and 35,740 options at $1.6 exercise price per share. Samuel Vlodinger: 77,920 options at NIS 0.04 exercise price per share, and 50,255 options at $1.6 exercise price per share

7. Directors' remuneration

The total remuneration of the Board of directors for the year ended December 31, 2014, amounted to $1.1m (including the Chief Executive Officer and Chief Financial Officer).

8. Substantial shareholders

As at December 31, 2014, the Company had been notified of the following interests in 3 per cent or more of the issued ordinary share capital of the Company:

Name	Number of shares	% of issued ordinary share capital
First Israel Mezzanine Investors*	8,735,385	17.39
Hargreave Hale	8,540,070	17.00
S.G. Textile Holdings Ltd.	8,050,110	16.03
Miton Group plc	6,742,065	13.42
Artemis Investment Management LLP	6,673,571	13.29
Henderson Global Investors	2,678,571	5.33
AXA Investment Mangers UK Limited	1,850,000	3.68

* by FIMI Israel Opportunity Fund II, L.P, FIMI Opportunity Fund II, L.P and FIMI Opportunity 2005 Ltd.

9. Principal Risks and Uncertainties

The Board has identified the following principal risks and uncertainties:

- The Company is dependent on the development of the market for tailored menswear product the success of its retail customers and the maintenance of it relationships with its key customers. The tailored menswear market is competitive and sensitive to quality, fashion and price. The Company has competitors who seek to provide similar products. It seeks to mitigate this risk by efficiently providing superior quality products which meet retailer and their customers' needs at competitive prices.

- The business is dependent on a number of third party producers for the manufacture of its products. It seeks to mitigate this risk through effective partner selection and relationships, including collaboration on product quality, technical tailoring skills and quality control.

- The Company's costs are unavoidably predominantly settled in US dollars while a substantial proportion of its income arises in UK pounds. The Company uses certain limited short term hedging strategies. In addition, alternative suppliers or supply systems for UK customers have the same attributes.

- The Company's supplier base is mainly in Developing World countries, which may from time to time experience some degree of the consequences of Geo-Political/Economic instability. However, the Company has considerable experience in managing these issues.

10. Annual General Meeting

The Company is planning to hold its first AGM on 2 June 2015 at 9:30 a.m. at the Company's UK offices (Dean House Studios, 27 Greenwood Place, Kentish Town, London NW5 1LB), when, among other things, the Annual Report and Accounts for 2014 will be put before the Shareholders. The notice of AGM will be set to shareholders alongside the Annual Report.

11. Directors' Statement as to Disclosure of Information to Auditors

The Directors confirm that to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware. The Directors of the Company have taken all the steps that they might reasonably be expected to have taken as directors in order to make themselves aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the auditors are aware of that information.

Corporate Governance Report

The Company complies with the applicable corporate governance requirements under the Israeli Companies Law.

As the Company's shares are traded on AIM, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council (the "Code"). The Board acknowledges the importance of high standards of corporate governance. To the extent practical and appropriate for its size and stage of development. The Company intends to take account of the requirements of the Code.

1. Board composition, roles and independence

The Company's Board consist of eight directors, six of whom are non-executive directors. Three of the non-executive directors are independent as defined by the UK Coda and the Chairman was independent at appointment

The Board is responsible for reviewing and approving the Company's strategy, budget, corporate actions and major items of capital expenditure. The Board has established an audit committee, a remuneration committee and a nomination committee, with formally delegated duties and responsibilities and each with written terms of reference. The Remuneration and Audit Committees which will meet at least twice each year.

The roles of the Chairman and Chief Executive Officer have been separated and clearly defined.

The Code recommends that the Board of directors of a listed company should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking. The Code states that the board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board has considered the independence of its non-executive directors in line with the principles of the Code and, following careful consideration, assessed that, in the period between the Admission and 31 December 2014, George Adams, Fiona Holmes and Tessa Laws directors considered by the Board to be independent.

2. Board conduct

The Board held six Board meetings in 2014 since the IPO in April 2014, on 14 May 2014, 27 May 2014, 2 June 2014, 16 July 2014, 9 September 2014, and 8 December 2014. All the directors attended these meetings.

In addition, since the IPO there has been one Audit Committee meeting and one Remuneration Committee meetings in 2014. All the committees' members attended these meetings.
At each Board meeting, there is a formal schedule of matters reserved for the Board's attention.

Board packs containing relevant financial and non-financial information are supplied to directors in advance of each Board/ committee meeting. Additional requests for information from directors are met and directors are entitled to table agenda items at Board meetings.

The minutes of the Board meeting is taken by the Company's Secretary, and brought to approval at the subsequent Board meeting.

The non-executive directors' terms of appointment entitle them to take independent professional advice as required, at the Company's expense.

3. Internal control

The Board has overall responsibility for the Company's internal control and effectiveness in safeguarding the assets of the Company. Internal control systems are designed to reflect the particular type of business and operations risks and to identify and manage risks, but not entirely all risks to which the business is exposed. As a result, internal controls can only provide a reasonable, but not absolute, assurance against material misstatements or loss.
The processes used by the Board to review the effectiveness of the internal controls are through the audit committee and the executive management reporting to the Board on a regular basis, where business plans, budgets and authorisation limits for the approval of significant expenditure, including investments, are appraised and agreed.
The Board also seeks to ensure that there is a proper organisational and management structure across the Company with clear responsibilities and accountability. The Board is also at liberty to engage independent professional advice on risk assessment matters.

4. Audit Committee

Following the admission to trading on AIM ("Admission"), the Audit Committee comprises George Adams, Tessa Laws and Fiona Holmes and is chaired by George Adams. The Audit Committee has the primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Company is properly measured and reported on. The Audit Committee, inter alia, determines and examines matters relating to the financial affairs of the Company including the terms of engagement of the Company's Auditors and, in consultation with the Auditors, the scope of the audit. It receives and reviews reports from management and the Company's Auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Company. The audit committee has unrestricted access to the Company's external auditors.

5. Remuneration Committee

Following Admission, the Remuneration Committee comprises Tessa Laws, Fiona Holmes and George Adams and is chaired by Tessa Laws. The Remuneration Committee reviews the performance of the executive Directors and makes recommendations to the Board in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. In exercising this role, the Directors shall have regard to the recommendations put forward in the Code.

6. Nomination Committee

Following Admission, the Nomination Committee comprises Fiona Holmes, Tessa Laws and George Adams and chaired by Fiona Holmes. The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The Nomination Committee also has responsibility for recommending new appointments to the Board and to the other Board committees. It is responsible for identifying suitable candidates for Board membership and monitor the performance and suitability of the current Board on an on-going basis.

7. Internal Audit

Under the Israeli Companies Law, the board of directors of a public company must appoint an internal auditor proposed by the Audit Committee. The role of the internal auditor is to examine whether such public company's actions comply with the law, integrity and orderly business procedure. The internal auditor must not be an interested party or office holder, or a relative of any interested party or office holder, or a member or representative of the Company's external auditors. The Israeli Companies Law defines the term "interested party" for such purposes so as to include a person who holds five per cent or more of the Company's outstanding share capital or voting rights, a person who has the right to appoint one or more directors or the general manager or any person who serves as a director or as the general manager.

The Company's internal auditor is a certified accountant, nominated by the Audit Committee and approved by the Board. The internal auditor is invited to attend every meeting of the audit committee.

Following the Admission, Dana Gottesman- Erlich, C.P.A (Isr.) of BDO Consulting Group was nominated to be the Company's Internal Auditor.

In accordance with the audit plan for 2014, during the months of September - November 2014 the Internal Auditor conducted a Risk Survey ("Risk Survey") to examine the major work processes within the Group in order to identify processes that exposes the Group to various risks. Additionally, the Internal Auditor examined the existing controls over the processes and the control and supervision channels existing in the Group, for the purpose of evaluating the level of risk.

The Survey was used for the mapping the major processes in the Group and identifying the risks in order to evaluate the controls in place and examine whether these controls mitigate the risks and addressing them and creating a multiple year audit plan for the Group.

BAGIR GROUP
Global Innovative Tailoring

Independent Auditor's Report and Financial Statements 2014

For the year ended December 31, 2014

Building a better
working world

Kost Forer Gabbay & Kasierer
21 Shazar Blvd.
Beer Sheva 8489411, Israel

Tel: +972-8-6261300
Fax:+972-3-5633428
ey.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

BAGIR GROUP LTD.

We have audited the accompanying consolidated financial statements of Bagir Group Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of 31 December 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and 2013, and its financial performance and cash flows for the each of the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

26 March 2015
Beer Sheva, Israel

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December	
		2014	2013
	Note	U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	11,420	2,670
Short-term investments	7	397	600
Trade receivables	8	10,247	8,168
Other receivables	9	3,017	2,047
Inventories	10	10,379	6,620
		35,460	20,105
NON-CURRENT ASSETS:			
Investment in a joint venture	11	1,765	-
Bank deposits		-	290
Property, plant and equipment	12	1,308	1,595
Goodwill	13	5,689	5,689
Other intangible assets	13	4,968	7,234
Deferred taxes	27	372	486
		14,102	15,294
		49,562	35,399

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2014	31 December 2013
		U.S. dollars in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans	14	11,880	11,537
Trade payables	15	7,351	6,852
Other payables	16	5,597	9,773
		24,828	28,162
NON-CURRENT LIABILITIES:			
Loans from banks	17	12,025	20,700
Capital notes to shareholders and loans from shareholders and their related companies	18	-	20,748
Employee benefit liabilities	19	456	479
Obligation relating to lease agreement	20	155	793
Payable for acquisition of subsidiary	21	-	461
Deferred taxes	27	116	164
		12,752	43,345
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	24		
Share capital		574	30
Share premium		78,322	27,879
Capital reserve for share-based payment transactions		1,444	1,411
Capital reserve for transactions with shareholders		10,165	10,165
Adjustments arising from translation of foreign operations		(8,895)	(9,111)
Accumulated deficit		(71,574)	(68,428)
		10,036	(38,054)
Non-controlling interests		1,946	1,946
Total equity (deficiency)		11,982	(36,108)
		49,562	35,399

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

26 March 2015			
Date of approval of the financial statements	Keith Hamill Chairman of the Board	Danny Taragan CEO and member of the Board	Yehuda Cohen CFO and member of the Board

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014	2013
		U.S. dollars in thousands	
Revenues from sales	26a	96,982	99,490
Cost of sales	26b	80,075	(*80,749
Gross profit		16,907	18,741
Selling and marketing expenses	26c	8,693	8,665
General and administrative expenses	26d	4,321	3,682
Development costs	26e	3,198	(*3,079
Expenses in connection with IPO		301	-
Other income, net		121	289
Operating income		515	3,604
Finance income	26f	6	427
Finance expenses	26g	(3,164)	(3,531)
Finance expenses relating to liabilities to shareholders		(562)	(1,589)
Company's share of losses of a joint venture		(12)	(110)
Other income, net		-	19
Loss before taxes on income		(3,217)	(1,180)
Taxes on income (tax benefit)	27	(39)	40
Loss		(3,178)	(1,220)
Other comprehensive income (loss):			
Items to be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translation of foreign operations		216	(12)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit plans		32	6
Total other comprehensive income (loss)		248	(6)
Total comprehensive loss		(2,930)	(1,226)
Loss attributable to equity holders of the Company		(3,178)	(1,220)
Total comprehensive loss attributable to equity holders of the Company		(2,930)	(1,226)

*) Reclassified.

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014	2013
		U.S. dollars	
Loss per share attributable to equity holders of the Company (in dollars)	30		
Basic and diluted loss		(0.09)	(0.39)
Weighted average number of Ordinary shares for basic and diluted loss per share *) (in thousands)		36,486	3,125

*) After share split, see Note 24.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with shareholders	Adjustments arising from translation of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity (deficiency)
	U.S. dollars in thousands								
Balance at 1 January 2014	30	27,879	1,411	10,165	(9,111)	(68,428)	(38,054)	1,946	(36,108)
Loss	-	-	-	-	-	(3,178)	(3,178)	-	(3,178)
Other comprehensive income:									
Adjustments arising from translation of foreign operations	-	-	-	-	216	-	216	-	216
Remeasurement gain on defined benefit plans	-	-	-	-	-	32	32	-	32
Total other comprehensive income	-	-	-	-	216	32	248	-	248
Total comprehensive income (loss)	-	-	-	-	216	(3,146)	(2,930)	-	(2,930)
Issue of share capital (net of issue expenses of $ 3.8 million)	412	29,265	-	-	-	-	29,677	-	29,677
Conversion of capital notes to shareholders and loans from shareholders into shares	132	21,178	-	-	-	-	21,310	-	21,310
Cost of share-based payment	-	-	33	-	-	-	33	-	33
Balance at 31 December 2014	574	78,322	1,444	10,165	(8,895)	(71,574)	10,036	1,946	11,982

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with shareholders	Adjustments arising from translation of foreign operations	Accumulated deficit	Total	Non-controlling interests	Total equity (deficiency)
	U.S. dollars in thousands								
Balance at 1 January 2013	30	27,879	1,367	5,623	(9,099)	(67,214)	(41,414)	1,946	(39,468)
Loss	-	-	-	-	-	(1,220)	(1,220)	-	(1,220)
Other comprehensive loss:									
Adjustments arising from translation of foreign operations	-	-	-	-	(12)	-	(12)	-	(12)
Remeasurement gain on defined benefit plans	-	-	-	-	-	6	6	-	6
Total other comprehensive loss	-	-	-	-	(12)	6	(6)	-	(6)
Total comprehensive loss	-	-	-	-	(12)	(1,214)	(1,226)	-	(1,226)
Cost of share-based payment	-	-	44	-	-	-	44	-	44
Capital reserve for capital notes to shareholders and loans from shareholders	-	-	-	4,542	-	-	4,542	-	4,542
Balance at 31 December 2013	30	27,879	1,411	10,165	(9,111)	(68,428)	(38,054)	1,946	(36,108)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Cash flows from operating activities:		
Loss	(3,178)	(1,220)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:		
Company's share of losses of a joint venture	12	110
Depreciation and amortization	2,829	2,487
Deferred taxes, net	66	(48)
Change in employee benefit liabilities	9	(97)
Cost of share-based payment	33	44
Gain from sale of property, plant and equipment	-	(16)
Finance expenses, net	1,776	4,065
Tax expenses (income), net	(105)	88
Other	476	80
	5,096	6,713
Changes in asset and liability items:		
Decrease (increase) in trade receivables	(2,155)	288
Decrease (increase) in other receivables	(801)	1,090
Decrease (increase) in inventories	(3,827)	519
Increase (decrease) in trade payables	520	(1,307)
Decrease in other payables	(3,815)	(5,174)
	(10,078)	(4,584)
Cash paid (received) during the year for:		
Interest paid	(1,439)	(1,948)
Interest received	23	-
Taxes paid	(264)	(2)
	(1,680)	(1,950)
Net cash used in operating activities	(9,840)	(1,041)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Cash flows from investing activities:		
Investment in joint venture	(1,657)	-
Purchase of property, plant and equipment	(148)	(258)
Proceeds from sale of property, plant and equipment	-	16
Capitalisation of development costs	(150)	-
Realisation of short-term investments, net	203	11
Bank deposits, net	290	-
Proceeds from sale of assets held for sale	-	607
Proceeds from sale of investment in a joint venture	-	2,707
Dividend from a joint venture	-	442
Net cash provided by (used in) investing activities	(1,462)	3,525
Cash flows from financing activities:		
Issue of shares, net of expenses	29,677	-
Receipt of loans from banks	3,000	23,000
Payment of loans from banks	(10,797)	(12,891)
Decrease in short-term credit, net	(530)	(12,244)
Repayment of liability for acquisition of subsidiary	(1,250)	(939)
Net cash provided by (used in) financing activities	20,100	(3,074)
Translation differences on balances of cash and cash equivalents of foreign operations	(48)	(15)
Increase (decrease) in cash and cash equivalents	8,750	(605)
Cash and cash equivalents at the beginning of the year	2,670	3,275
Balance of cash and cash equivalents at the end of the year	11,420	2,670
Non-cash transactions:		
Conversion of capital notes to shareholders and loans from shareholders into shares	21,310	-
Payables for investment in joint venture	120	-

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

NOTE 1:- GENERAL

a. Company description:

Bagir Group Ltd. ("the Company") is registered in Israel. The Company and its subsidiaries ("the Group") specialise in the manufacturing and marketing of men's and women's tailored fashion. The Company's Headquarters are located in Kiryat Gat, Israel. The Group's products are manufactured by a subsidiary and subcontractors. The Group's products are marketed in Europe (mainly in the U.K.), the U.S. and in other countries. As for operating segments, see Note 31.

b. In April 2014 the Company completed an initial public offering ("IPO") and its shares were admitted to trading on the London Stock Exchange's Alternative Investment Market (AIM). In the IPO, the Company issued 35,714,285 Ordinary shares at a price of 56 pence per Ordinary share. The total gross funds raised in the IPO were GBP 20 million ($33.5 million) and IPO related costs amounted to approximately $3.8 million.

Concurrent with the IPO, the Company issued 11,383,925 Ordinary shares to certain shareholders in consideration for the extinguishment of all capital notes and loans due to these shareholders with a carrying amount of approximately $21,310 thousand (par value of approximately $25,989 thousand).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of presentation:

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The financial statements have been prepared on a cost basis.

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

In 2014 new standards and amendments became effective but they had no effect on the consolidated financial statements.

b. Assessment of going concern:

The Board has adopted the going concern basis of accounting in preparing the financial statements. In assessing the appropriateness of doing so the Board has considered the principal risks and uncertainties of the business, the trading forecasts covering a twelve months period following the approval of the financial statements (including downside sensitivities) and the debt facilities provided by the Company’s banks and the covenants relating to those facilities.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.
The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries have been applied consistently and uniformly with those applied in the financial statements of the Company. Significant intragroup balances and transactions and gains or losses resulting from transactions between the Company and the subsidiaries are eliminated in full in the consolidated financial statements.

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

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

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

d. Business combinations and goodwill:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Business combinations and goodwill: (Cont.)

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

Contingent consideration is recognised at fair value on the acquisition date and classified as a financial asset or liability in accordance with IAS 39. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss or in the statement of other comprehensive income. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

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

e. Investment in joint venture:

Joint arrangements are arrangements of which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the joint venture. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Goodwill relating to the acquisition of a joint venture is presented as part of the investment in the joint venture, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the joint venture as a whole.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The financial statements are presented in U.S. dollars, the Company's functional currency.
The functional currency is the currency that best reflects the economic environment in which an entity operates and conducts its transactions, it is separately determined for each Group entity and is used to measure its financial position and operating results.

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

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in the foreign operation and are accounted for as part of the investment and, accordingly, the exchange differences from these loans are recognised (net of their tax effect) as other comprehensive income (loss) under "adjustments arising from translating financial statements".

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

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (other than the functional currency) are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Functional currency, presentation currency and foreign currency: (Cont.)

3. Below are data about the exchange rates of significant currencies in which the Group transacts in relation to the dollar:

	Representative exchange rate	
As of	**£ 1**	**NIS 1**
	U.S. dollars	
31 December 2014	1.559	0.257
31 December 2013	1.654	0.288
Change	**%**	**%**
Year ended 31 December 2014	(0.6)	(10.8)
Year ended 31 December 2013	2.3	7.5

g. Cash equivalents:

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

h. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

i. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful.

j. Inventories:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Inventories: (Cont.)

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

Cost of inventories is determined as follows:

Merchandise, raw materials and auxiliary materials- using the weighted average method.

Finished products and work in progress - materials as above and other costs on the basis of average costs including processing expenses.

Parts - using the weighted average method.

k. Financial instruments:

1. Financial assets:

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

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

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

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

b) Loans and receivables:

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

2. Financial liabilities:

Liabilities are initially recognised at fair value. Loans and other liabilities at amortised cost are presented net of direct transaction costs.

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

Financial liabilities at amortised cost:

After initial recognition, loans are measured based on their terms at cost less direct transaction costs using the effective interest method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Financial instruments: (Cont.)

3. Derecognition of financial instruments:

a) Financial assets:

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

A transaction involving factoring of accounts receivable and credit card vouchers is derecognised when the abovementioned conditions are met.

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

b) Financial liabilities:

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

When an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amount of the above liabilities is recognised in profit or loss. If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognised on the exchange. When evaluating whether the change in the terms of an existing liability is substantial, the Company takes into account both quantitative and qualitative considerations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Financial instruments: (Cont.)

4. Impairment of financial assets:

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

Financial assets carried at amortised cost:

Objective evidence of impairment exists when one or more events that have occurred after the initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognised. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

5. Extinguishing financial liabilities with equity instruments:

Equity instruments issued to replace a debt are measured at the fair value of the equity instruments issued if their fair value can be reliably measured. If their fair value cannot be reliably measured, the equity instruments are measured based on the fair value of the financial liability extinguished on the date of extinguishment. The difference between the carrying amount of the financial liability extinguished and the fair value of the equity instruments issued is recognized in profit or loss.

l. Derivative financial instruments:

The Group enters into contracts for derivative financial instruments such as forward currency contracts and interest rate swaps to hedge risks associated with foreign exchange rates and interest rate fluctuations. Such derivative financial instruments that do not qualify for hedge accounting are initially recognised at fair value at the inception of the contract for derivative and are subsequently remeasured at fair value. Changes in the fair value of these instruments are recorded immediately in profit or loss.

The fair value of forward currency contracts is measured by reference to existing exchange rates for contracts with similar maturity dates.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Fair value measurement:

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

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

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

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

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

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

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

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

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

n. Leases:

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

Operating leases - the Group as lessee:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Property, plant and equipment:

Items of property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Parts of items of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately using the component method.

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

	%	Mainly %
Machinery and equipment	7 - 12	10
Motor vehicles	15 - 20	15
Office furniture and equipment	6 - 33	7
Leasehold improvements	over the lease term (see below)	

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

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate

p. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalised development costs, are recognised in profit or loss when incurred.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively as changes in accounting estimates. The amortisation of intangible assets with finite useful lives is recognised in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Intangible assets: (Cont.)

Development expenditures:

Development expenditures incurred on a development project are recognised as an intangible asset if the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The asset is measured at cost less any accumulated amortisation and any accumulated impairment losses. Testing of impairment is performed annually over the period of the development project. Amortisation of the asset begins when development is complete and the asset is available for use. The asset is amortised over its useful life.

The useful life of intangible assets is as follows:

	Years
Customer relationships	10
Capitalisation of development costs - novel products	3-5
Controlling rights acquired (see Note 5)	6.5

q. Impairment of non-financial assets:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Impairment of non-financial assets: (Cont.)

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

1. Goodwill:

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

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

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognised if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

2. Intangible assets - development costs capitalised during the development period:

The impairment test is performed annually or more frequently if events or changes in circumstances indicate that there is an impairment.

r. Non-current assets or disposal group held for sale and discontinued operations:

Non-currents assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be an active program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation are separately presented in profit or loss, net of the tax effect.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Taxes on income:

The tax results of current or deferred taxes are recognised in profit or loss, except to the extent that they refer to items which are recognised in other comprehensive income or equity.

1. Current taxes:

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

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rate that is expected to apply when the taxes are reversed in profit or loss or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilised. Temporary differences for which deferred tax assets had not been recognised are reviewed at the end of each reporting period and a respective deferred tax asset is recognised to the extent that their utilisation is probable.

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

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions ("equity-settled transactions").

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable pricing model, additional details are given in Note 28. In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account.

The cost of equity-settled transactions is recognised in profit or loss together with a corresponding increase in equity during the period which the performance conditions are to be satisfied ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognised beyond the original computed expense. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee at the modification date.

If a grant of an equity instrument is cancelled, it is accounted for as if it had vested on the cancellation date and any expense not yet recognised for the grant is recognised immediately. However, if a new grant replaces the cancelled grant and is identified as a replacement grant on the grant date, the cancelled and new grants are accounted for as a modification of the original grant, as described above.

u. Employee benefits liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Employee benefits liabilities: (Cont.)

2. Post-employment benefits:

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

The Group has defined contribution plans for part of the Group's employees overseas and for part of the Group's employees in Israel pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognised as an expense when contributed concurrently with performance of the employee's services and no additional provision is required in the financial statements.

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

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

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

Remeasurements comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognised in other comprehensive income in the period in which they occur.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Revenue recognition:

Revenues are recognised in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration received less any trade discounts, volume rebates and returns.

Following are the specific recognition criteria for the Group's revenues which must be met before revenue is recognised:

Revenues from the sale of goods:

Revenues from the sale of goods are recognised when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which ownership passes.

Interest income:

Interest income is recognised as it accrues using the effective interest method.

Customer discounts:

Current customer discounts are recognised in the financial statements when granted and are deducted from sales.

w. Provisions:

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

x. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period. Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

The calculation of earnings per share for all periods presented has been adjusted retrospectively for the share split, see Note 24 (c).

NOTE 3:- SIGNIFICANT ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

Deferred tax assets:

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

Impairment of goodwill:

The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit and also to choose a suitable discount rate for those cash flows. See Note 13 for key assumptions.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

The following are new standards that have been issued but are not yet effective and which might have an impact on the financial statements:

a. IFRS 15, "Revenue from Contracts with Customers":

In May 2014, the IASB issued IFRS 15 ("IFRS 15").

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

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

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

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

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

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

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

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

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

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2017. A modified retrospective approach may be elected. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

b. IFRS 9, "Financial Instruments":

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

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if certain conditions are met. Subsequent measurement of all other debt instruments and financial assets should be at fair value.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected. IFRS 9 also prescribes new hedge accounting requirements.
IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

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

NOTE 5:- INVESTMENT IN SUBSIDIARY

The Company, through a wholly owned subsidiary, holds an investment in a company in Egypt that was jointly owned and controlled with another Egyptian company ("the Egyptian partner"). On 1 January 2009, the Company signed an agreement with the Egyptian partner whereby the control and management will pass to the Company for a period of six and half years starting 1 January 2009, in consideration of the payment of 4% of the sales revenues of the Egyptian company to the Egyptian partner but not more than $ 900 thousand a year and not less than $ 800 thousand a year for 2009 and 2010, and a fixed amount of $ 1 million for each of the years 2011 to 2015 ("the future consideration"). Over the term of the agreement, the control and management of the Egyptian company will be in the hands of the Company and it shall bear all costs and entitled to all profits relating to the Egyptian company. As a result of this agreement, since 1 January 2009, the Company fully consolidates the financial statements of the Egyptian company. At that date, the Company's management estimated that the fair value of the assets of the Egyptian company approximated their carrying amount. The Company recognised a liability in the amount of the present value of the future consideration payable (based on management's estimate) discounted using an annual interest rate of 5% and, simultaneously, recognised an intangible asset (“controlling rights”) in the amount of $ 5,637 thousand that is amortised over the term of the agreement (6.5 years).

The Company is in advanced negotiations to extend the term of the agreement for an additional seven years.

NOTE 6:- CASH AND CASH EQUIVALENTS

	31 December	
	2014	2013
	U.S. dollars in thousands	
Cash in banks:		
In U.S. dollars	9,682	2,032
In Sterling	1,456	442
In other currencies	282	196
	11,420	2,670

NOTE 7:- SHORT-TERM INVESTMENTS

	Annual interest rate (1)	31 December	
	2014	2014	2013
	%	U.S. dollars in thousands	
Short-term deposits:			
In U.S. dollars (2)	0.08	115	281
In NIS (2)	0.04-0.05	282	319
		397	600

(1) The above interest rates are the weighted average rates as of 31 December 2014.

(2) The deposits are pledged to secure transactions in derivatives.

NOTE 8:- TRADE RECEIVABLES

	31 December 2014	31 December 2013
	U.S. dollars in thousands	
Open accounts	10,270	8,195
Less - allowance for doubtful accounts	23	27
	10,247	8,168

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

Following is an analysis of past due but not impaired trade receivables (trade receivables, net):

	Neither past due (nor impaired)	Past due but not impaired: < 30 days	30 - 60 days	60 - 90 days	Over 90 days	Total
	U.S. dollars in thousands					
31 December 2014	6,657	2,870	620	17	83	10,247
31 December 2013	7,150	788	115	51	64	8,168

NOTE 9:- OTHER RECEIVABLES

	31 December 2014	31 December 2013
	U.S. dollars in thousands	
Prepaid expenses	447	424
Government authorities	1,140	251
Advances to suppliers	954	760
Other receivables	476	612
	3,017	2,047

NOTE 10:- INVENTORIES

	31 December 2014	31 December 2013
	U.S. dollars in thousands	
Finished products and merchandise	3,682	2,642
Work in progress	835	1,010
Raw and auxiliary materials	3,151	1,348
Parts	209	192
Inventories in transit	2,502	1,428
	10,379	6,620

Impairment of inventories recorded in cost of sales totaled $ 429 thousand (2013- $ 624 thousand).

NOTE 11:- INVESTMENT IN A JOINT VENTURE

a. On 31 July 2014, the Company signed an agreement with a company in Ethiopia, Nazareth Garment Share Company ("Nazareth"), and the Nazareth shareholders according to which the Company will purchase a 50% interest in the Nazareth for a total cash consideration of $ 1.5 million, of which $ 1.2 million will be an equity injection in Nazareth and the balance will be paid to the Nazareth shareholders. The closing date of the transaction was on the beginning of November 2014.

Nazareth has a factory that manufactures tailored clothing. The agreement stipulates that the substantial majority of the Nazareth products will be sold to the Company. Following this investment, the factory will undertake certain upgrades to its production facilities to enable the production of high quality trousers and jackets for export into the global market.

1. The fair value of identifiable assets and liabilities of Nazareth near the acquisition date:

	U.S dollars in thousands
Cash and cash equivalents	1,000
Other current assets	245
Property, plant and equipment	2,930
Goodwill and intangible assets	1,104
Current liabilities	(846)
Deferred taxes	(879)
Total net assets	3,554
Group’s investment in joint venture (50%)	(* 1,777

*) Include acquisition cost that is directly attributable to the transaction of $277 thousand.

2. Movement:

	U.S dollars in thousands
Balance at 1 January 2014	-
Investment in joint venture	1,777
Company's share of losses	(12)
Balance at 31 December 2014	1,765

NOTE 11:- INVESTMENT IN A JOINT VENTURE (Cont.)

3. Summarized operating results of joint venture:

	For the two months ended 31 December 2014
	U.S dollars in thousands
Revenues	132
Expenses	141
Net loss	(9)
Holding rate in the joint venture	50%
	(5)
Depreciation and amortization of excess cost	(7)
	(12)

b. The Company, through a wholly owned subsidiary, held a company in China, Dalian Bagir Tailoring Co. Ltd., that was jointly owned and controlled ("joint venture") with a Chinese company ("the Chinese partner"). The joint venture served as a subcontractor for the manufacture of tailored fashion garments and substantially all of its sales were to the Company. In February 2013, the Company signed an agreement for the sale of all its holdings in the joint venture to the Chinese partner in consideration of RMB 17 million (approximately $ 2.7 million). The sale did not have a material effect on profit or loss in the year 2013.

NOTE 12:- PROPERTY, PLANT AND EQUIPMENT

Composition and movement:

2014:	Machinery and equipment	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	U.S. dollars in thousands				
Cost (1),(2):					
Balance at 1 January 2014	13,490	116	1,671	1,044	16,321
Additions during the year	39	-	61	48	148
Adjustments arising from translation of foreign operations	(26)	(2)	(29)	-	(57)
Disposals during the year	-	-	(113)	(7)	(120)
Balance at 31 December 2014	13,503	114	1,590	1,085	16,292
Accumulated depreciation:					
Balance at 1 January 2014	12,432	95	1,257	942	14,726
Additions during the years	260	4	102	47	413
Adjustments arising from translation of foreign operations	(20)	(2)	(13)	-	(35)
Disposals during the year	-	-	(113)	(7)	(120)
Balance at 31 December 2014	12,672	97	1,233	982	14,984
Depreciated cost at 31 December 2014	831	17	357	103	1,308

NOTE 12:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2013:	Machinery and equipment	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
	U.S. dollars in thousands				
Cost (1),(2):					
Balance at 1 January 2013	13,419	118	1,742	1,044	16,323
Additions during the year	110	20	128	-	258
Adjustments arising from translation of foreign operations	7	1	12	-	20
Disposals during the year	(46)	(23)	(211)	-	(280)
Balance at 31 December 2013	13,490	116	1,671	1,044	16,321
Accumulated depreciation:					
Balance at 1 January 2013	12,144	112	1,355	892	14,503
Additions during the years	334	5	110	50	499
Adjustments arising from translation of foreign operations	-	1	3	-	4
Disposals during the year	(46)	(23)	(211)	-	(280)
Balance at 31 December 2013	12,432	95	1,257	942	14,726
Depreciated cost at 31 December 2013	1,058	21	414	102	1,595

(1) 2014 - Fully depreciated assets that are still in use amount to approximately $ 6.1 million (2013- $ 6.3 million).

(2) As for charges, see Note 25.

NOTE 13:- GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition and movement:

2014:	Customer relationships	Development costs - novel products	Controlling rights (2)	Goodwill	Total
	U.S. dollars in thousands				
Cost:					
Balance at 1 January 2014	8,487	(1) 5,825	5,637	25,447	45,396
Additions	-	150	-	-	150
Balance at 31 December 2014	8,487	5,975	5,637	25,447	45,546
Accumulated amortisation and impairment losses:					
Balance at 1 January 2014	5,517	2,864	4,334	19,758	32,473
Amortisation recognised during the period	849	700	867	-	2,416
Balance at 31 December 2014	6,366	3,564	5,201	19,758	34,889
Net book value:					
At 31 December 2014	2,121	2,411	436	5,689	10,657

NOTE 13:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

a. Composition and movement: (Cont.)

2013:	Customer relationships	Development costs - novel products	Controlling rights (2)	Goodwill	Total
	U.S. dollars in thousands				
Cost:					
Balance at 1 January 2013 and 31 December 2013	8,487	(1) 5,825	5,637	25,447	45,396
Accumulated amortisation and impairment losses:					
Balance at 1 January 2013	4,668	2,593	3,467	19,758	30,486
Amortisation recognised during the period	849	271	867	-	1,987
Balance at 31 December 2013	5,517	2,864	4,334	19,758	32,473
Net book value:					
At 31 December 2013	2,970	2,961	1,303	5,689	12,923

(1) Development costs at 31 December 2014 and 2013 include costs of projects in progress amounting to $ 0.2 million $ 2.3 million respectively.

(2) See Note 5.

b. Classification of amortisation expenses in profit or loss:

	For the year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Cost of sales	1,567	1,138
Selling and marketing expenses	849	849
Total	2,416	1,987

c. Impairment testing of goodwill:

Following are the carrying amounts of goodwill allocated to geographical segments as of 31 December 2014:

	U.S. dollars in thousands
Europe (mainly the U.K.)	999
U.S.	4,690
	5,689

The recoverable amount of the segments were determined based on a value in use calculation using valuations performed by an independent appraiser based on management's estimate of the future cash flows expected to be generated from the performances of the segments. The estimated cash flows are based on budgets covering a 5-year period.

NOTE 13:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

c. Impairment testing of goodwill: (Cont.)

Key assumptions used in calculating the value in use for the year ended 31 December, 2014:

	Europe mainly U.K.	U.S.
	%	
Gross profit- for the period after the 5-year budget	20.8	18.6
Discount rate (before tax)	18.7	21.5
Growth for the period after the 5-year budget	-	-

As of 31 December 2014 the recoverable amount of each of the segments exceeds their carrying amount.

Sensitivity to changes in assumptions

The Company believes that no reasonably possible change in a key assumption used to determine the segment's recoverable amounts would cause the segment's carrying amounts to exceed their recoverable amounts.

NOTE 14:- CREDIT FROM BANKS AND CURRENT MATURITIES OF LONG-TERM LOANS

a. Composition:

	31 December	
	2014	2013
	U.S. dollars in thousands	
From banks:		
In U.S. dollars	9,880	10,410
Current maturities of long-term loans	2,000	1,127
	11,880	11,537

*) The loans bear variable interest of Libor + 4.75-4.9%. Weighted average rate as of 31 December 2014 – 5.0%.

Upon fulfillment of certain conditions, these loans may be renewed annually for a period ending in December 2017.

NOTE 15:- TRADE PAYABLES

	31 December	
	2014	2013
	U.S. dollars in thousands	
Open accounts:		
In U.S. dollars	5,855	5,232
In Sterling	783	805
In NIS	371	332
In other currency	342	483
	7,351	6,852

NOTE 16:- OTHER PAYABLES

	31 December 2014	31 December 2013
	U.S. dollars in thousands	
Payables for factoring of trade receivables	-	3,251
Payroll and related expenses	1,038	1,534
Payable for acquisition of subsidiary (1)	763	1,557
Obligation relating to lease agreement (2)	902	801
Income taxes payable	370	751
Government authorities	813	114
Accrued expenses and other	1,711	1,765
	5,597	9,773

(1) See Note 21.
(2) See Note 20.

NOTE 17:- LOANS FROM BANKS

a. The banks were also shareholders, related parties until the IPO in April 2014, see Note 24 (e).

b. Composition:

	31 December 2014	31 December 2013
	U.S. dollars in thousands	
In U.S. dollars	14,025	21,610
In NIS	-	217
	14,025	21,827
Less – current maturities	(2,000)	(1,127)
	12,025	20,700

*) The loans bear variable interest at Libor + 4.68%-4.75%. Weighted average rate as of 31 December 2014 – 4.9%.

c. Maturity dates after the reporting date:

As of 31 December 2014 (*):

	First year	Second year	Third year	Total
	U.S. dollars in thousands			
	2,000	3,000	9,025	14,025
Less – current maturities				2,000
				12,025

(*) See Note 33 for loan amendments in January 2015 in respect of early repayments.

NOTE 17:- LOANS FROM BANKS (Cont.)

c. Maturity dates after the reporting date: (Cont.)

As of 31 December 2013:

	First year	Second year	Third year	Fourth year	Total
	U.S. dollars in thousands				
	1,127	2,090	3,000	15,610	21,827
Less – current maturities					1,127
					20,700

d. The loan agreements with the banks include, among others, the following provisions:

i) Accelerated payments:

- In any period in which the Group EBITDA in annual terms is between $ 8 and $ 10 million, the Company will use 60% of the amount in excess of $ 8 million for the early repayment of long-term loans.
- In any period in which the Group EBITDA in annual terms exceeds $ 10 million, the Company will use 70% of the amount in excess of $ 10 million for the early repayment of long-term loans.
- If any amount is received from the subsidiary in Germany or from its liquidator and/or receiver, 70% of that amount will be used for the early repayment of long-term loans.

ii) The Company undertook not to make any guarantees other than guarantees to secure the debts and liabilities of the Group to its suppliers in an aggregate amount not exceeding at any time $ 3.2 million.

iii) The Company has undertaken not to pay its shareholders any management fees, dividends, salary and interest without the agreement of the banks.

iv) The Company undertook that it or its shareholders will not take any action that would result in a change in control of the Company, without the banks' consent.

e. In February 2014, the Company received additional long-term loans from banks in the amount of $3 million. These loans, together with other long-term bank loans amounting to $6 million, were repaid from the proceeds from the IPO in April and May 2014.

f. In March and in April 2014, the Company signed amendments to certain bank loan agreements (the "amendments"), which amendments became effective after the completion of the IPO.

Pursuant to the amendments:

1. The Company made an early repayment of bank loans in the amount of $9 million (see e above).
2. The Company undertakes that the aggregate of all dividends to be distributed each year to its shareholders will not exceed 55% of the annual net income in that calendar year.

NOTE 17:- LOANS FROM BANKS (Cont.)

3. The Company agreed to meet revised financial covenants regarding debt coverage ratio, minimum equity and minimum tangible equity. The Company's compliance with the revised covenants will first be evaluated based on the annual consolidated financial statements as of 31 December 2014 and commencing from 2015 and thereafter compliance will be evaluated based on the six- month interim and the annual consolidated financial statements. During 2014 these financial covenants were amended in respect of the year 2014.

As of 31 December 2014, the Company is complying with the financial covenants.

As for amendment to the financial covenants after the reporting date, see Note 33.

g. As for collaterals, see Note 25.

NOTE 18:- CAPITAL NOTES TO SHAREHOLDERS AND LOANS FROM SHAREHOLDERS AND THEIR RELATED COMPANIES

Composition:

	31 December 2013
	U.S. dollars in thousands
Loans (a)	
In U.S. dollars	6,293
In NIS	1,179
	7,472
Capital notes (b)	13,012
Fees payable (c)	264
	20,748

a. Loans:

During the years 2009-2011, the Company's shareholders provided the Company with short-term and long-term loans in various amounts, interest rates and varying maturities (principal amount of $ 7,069 thousand).

In 2013, as part of the debt refinancing agreements reached with the banks, all of the loans including accrued and unpaid interest were subordinated to the bank loans such that the repayment date of these loans was extended to 31 December 2017. As the extension of the maturity date was considered a substantial modification of the loan terms, the original loans were accounted for as extinguished and a new financial liability was recognised in respect of these loans. Accordingly, the loans were remeasured at fair value based on an effective interest rate of 8.45%.

b. Capital notes:

During 2007 and 2008, certain shareholders provided the Company with loans of $ 18 million (principal amount) in the form of non-interest bearing capital notes for periods of 5-7 years. These loans were subordinated to the bank loans.

As part of ae debt refinancing agreements with the banks in 2013, the maturity date of the capital notes was extended to 31 December 2017. As the extension of the maturity date was considered a substantial modification of the capital notes, the original notes were accounted for as extinguished and a new financial liability was recognised in respect of these notes. Accordingly, the notes were remeasured to fair value based on a discount rate of 8.45%.

NOTE 18:- CAPITAL NOTES TO SHAREHOLDERS AND LOANS FROM SHAREHOLDERS AND THEIR RELATED COMPANIES (Cont.)

c. Fees payable:

As part of the bank refinancing agreements, the shareholders agreed to defer payment of accrued management fees in the amount of $ 325 thousand until 31 December 2017. Accordingly the liability was remeasured to fair value by discounting it to its present value at an annual rate of 8.45%.

d. In March and in April 2014, the Company signed amendments to certain bank loan agreements, (the "amendments") which amendments will became effective in April 2014 when the Company completed its IPO on the AIM (see Note 17).

Concurrent with the IPO, the Company issued 11,383,925 Ordinary shares to certain shareholders in consideration for the extinguishment of all capital notes and loans due to these shareholders with a carrying amount of approximately $21,310 thousand (par value of approximately $25,989 thousand).

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES

a. Post-employment benefits:

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

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

b. Defined contribution plans:

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

As for the Group's foreign employees in certain countries, the Group pays fixed contributions to cover the obligation for employee-employer relations arising from the labor laws and the employment contracts in those countries. These contributions release the Group from any additional liability to employees for whom the said contributions were made (defined contribution plans).

	31 December	
	2014	**2013**
	U.S. dollars in thousands	
Expenses in respect of defined contribution plans	317	314

c. Defined benefit plans:

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

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES (Cont.)

c. Defined benefit plans: (Cont.)

1. Changes in the defined benefit obligation and fair value of plan assets:

2014:

	Balance at 1 January 2014	Expenses recognised in profit or loss: Current service cost	Net interest expenses	Past service cost and effect of settlements	Effect of changes in foreign exchange rates	Adjustments	Total expenses recognised in profit or loss for the period	Payments from the plan	Gain (loss) from remeasurement in other comprehensive income	Contributions by employer	Balance at 31 December 2014
	U.S. dollars in thousands										
Defined benefit obligation	(1,632)	(135)	(46)	-	151	(159)	(189)	135	38	-	(1,648)
Fair value of plan assets	1,153	-	40	(14)	(138)	221	109	(112)	(6)	48	1,192
Net defined benefit asset (liability)	(479)	(135)	(6)	(14)	13	62	(80)	23	32	48	(456)

2013:

	Balance at 1 January 2013	Expenses recognised in profit or loss: Current service cost	Net interest expenses	Past service cost and effect of settlements	Effect of changes in foreign exchange rates	Total expenses recognised in profit or loss for the period	Payments from the plan	Gain (loss) from remeasurement in other comprehensive income	Contributions by employer	Balance at 31 December 2013
	U.S. dollars in thousands									
Defined benefit obligation	(1,510)	(101)	(51)	-	(93)	(245)	83	40	-	(1,632)
Fair value of plan assets	934	-	42	(2)	76	116	(12)	(34)	149	1,153
Net defined benefit asset (liability)	(576)	(101)	(9)	(2)	(17)	(129)	71	6	149	(479)

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES (Cont.)

c. Defined benefit plans: (Cont.)

2. Plan assets:

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

3. Plan assets (liabilities), net:

	31 December	
	2014	**2013**
	U.S. dollars in thousands	
Defined benefit obligation	(1,648)	(1,632)
Fair value of plan assets	1,192	1,153
Total liabilities, net	(456)	(479)

4. The principal assumptions used in defined benefit plan:

	31 December	
	2014	**2013**
	%	
Discount rate of the plan liability (1)	3.3	3.75
Rate of increase in the Israeli CPI	1.48	2.39
Expected rate of return on plan assets	3.75	4.02
Expected salary increases	4.52	5.47
Employee turnover rate (2)		

(1) Market yields on high quality corporate bonds (2013- yields based on Government bonds).

(2) Employee turnover rates are 50%, 25%, 8% and 2%% in the following age ranges 18-29, 30-39, 40-49 and 50-55, respectively (2013- 20%, 15%, 10% and 5% in the following age ranges 18-35, 36-45, 46-51 and older, respectively).

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES (Cont.)

c. Defined benefit plans: (Cont.)

5. Amount, timing and uncertainty of future cash flows:

Any reasonably possible changes at the end of the reporting period in each actuarial assumption assuming that all other actuarial assumptions are constant would have had an immaterial effect:

	31 December	
	2014	**2013**
	U.S. dollars in thousands	
Sensitivity test for changes in the expected salary increases:		
Salary increases - effect of change of 10% in the base assumption detailed in 4 above:		
Increase	20	23
Decrease	(17)	(20)
Sensitivity test for changes in the discount rate of the plan assets and liability:		
The change as a result of:		
Increase of 1% in discount rate	(69)	(77)
Decrease of 1% in discount rate	78	85

NOTE 20:- OBLIGATION RELATING TO LEASE AGREEMENT

a. In 2013, the Company reached a settlement regarding a lease agreement of a subsidiary in the U.K. according to which the Company would make certain payments over a period ending in January 2016. These amounts bear no interest. The obligation recorded in respect of those payments was discounted at an annual interest rate of 5%. In October 2014, the settlement was revised to extend the payment schedule to February 2016.

b. Composition:

	31 December	
	2014	**2013**
	U.S. dollars in thousands	
Obligation relating to lease agreement	1,057	1,594
Less - current maturities	902	801
	155	793

c. The repayment dates after the reporting date:

First year	902	801
Second year	155	775
Third year	-	18
	1,057	1,594

NOTE 21:- PAYABLE FOR ACQUISITION OF SUBSIDIARY

Composition:

	31 December 2014	31 December 2013
	U.S. dollars in thousands	
Payable for acquisition of subsidiary (1)	763	2,018
Less - current maturities	763	1,557
	-	461

(1) The remaining liability for the acquisition of the controlling rights in the Egyptian subsidiary, see Note 5.

(2) The repayment dates after the reporting date:

As of 31 December 2014:

First year	Second year	Total
U.S. dollars in thousands		
763	-	763

As of 31 December 2013:

First year	Second year	Total
U.S. dollars in thousands		
1,557	461	2,018

NOTE 22:- COMMITMENTS

1. Commitments for lease of spaces:

(a) The Company leases areas in Israel under two lease agreements for an annual rent of $ 214 thousand. The leases may be terminated with advance notice of one year. The leases also contain options for extension.

(b) The Egyptian subsidiary leases spaces from the other shareholders of the Company. The lease agreement is for a period ending in June 2015. The annual rent is $ 254 thousand. After the reporting date the Company signed on extension of the agreement until December 2016, the annual rent is $ 300 thousands.

(c) A subsidiary in the U.S. leases an office building at an annual rent of $ 180 thousand (subject to adjustments). The lease agreement is for a period of five years ending in 2019. The subsidiary has subleased a portion of the property for a period ending in 2019 at an annual rent of $ 77 thousand.

(d) A subsidiary in the U.K. leases an office building at an annual rent of $ 107 thousand. The lease agreement is for a period of fifteen years ending in 2021.

NOTE 22:- COMMITMENTS (Cont.)

2. The Company entered into an agreement with a vehicle leasing company for lease of vehicles under an operating lease. The aggregate future lease payments amount to $ 395 thousand for a period of 3 years, ending in 2016.

3. Certain subsidiaries have five exclusive licenses to use brand names in certain countries in return for the payment of royalties at a certain percentage of sales of products manufactured under these brand names with a minimum annual amount of $ 150 thousand. The licenses are for varying periods ending from 2015 to 2020 with the possibility of extensions for certain licenses.

   Total royalties in the year ended 31 December 2014 amounted to approximately $ 362 thousand (2013- $489 thousand).

NOTE 23:- FINANCIAL INSTRUMENTS

a. Financial risk factors:

   The Group's activities expose it to various financial risks such as market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

   Risk management is performed by the finance unit, headed by the Group's CFO. The finance unit identifies and manages financial risks in collaboration with the Group's operating units. A team comprising the Company's CEO, CFO and the Group's treasurer was established for operating in the foreign currency market. The Company's management updates the Company's Board on the policy for risk management when the Group's annual budget is presented and, where appropriate, when the annual and interim financial statements are presented.

   1. Exchange rate risk:

      The Group operates in a large number of countries and is exposed to exchange rate risk resulting from the exposure to fluctuations in the exchange rates primarily of the Sterling and the NIS.

      a) The Group has forecasted net cash flows from sale and purchase of goods in Sterling and NIS. The Group's policy is to hedge part of the cash flow exposure, as above, and for the purpose of neutralising this exposure, the Group generally performs purchases and payments, to the extent possible, in the selling currency and to use financial instruments - forward transactions. These hedging mechanisms are executed based on the Group's targets, as they are formulated upon the preparation of the annual budget. All transactions are for less than one year. These transactions do not qualify for hedge accounting. The open positions in derivatives at the end of 2014 and 2013 are immaterial.

      b) The Group has investments in foreign operations whose net financial assets are exposed to possible fluctuations in the exchange rate of the Sterling.

NOTE 23:- FINANCIAL INSTRUMENTS (Cont.)

a. Financial risk factors: (Cont.)

2. Credit risk:

Most of the cash and cash equivalents and short-term investments as of 31 December 2014 are deposited with major banks in Israel and abroad.

In view of the large number of countries in which the Group operates, its cash and cash equivalents and investments are diversified among the various financial institutions and the Group regularly examines evaluations of the credit stability of the different financial institutions.

Trade receivables as of 31 December 2014 are from customers in the U.S. and countries of the European Union, including four major customers - one in Europe and three in the U.S. (see Note 26 (a)). The Company and certain subsidiaries insure receivables from certain customers with credit insurance. The Company also sells specific customer receivables through non-recourse factoring arrangements. The Company performs ongoing reviews of the credit granted to customers and the possibility of loss therefrom and includes an adequate allowance for specific accounts whose collection is doubtful.

3. Liquidity risk:

The Group finances its activities from its operations and short and long-term borrowings from banks.

4. Interest rate risk:

The Group is exposed to the risk of changes in the market interest on short and long-term loans received with variable interest. These loans expose the Group to cash flow risk.

b. Summary of liquidity risk:

The table below presents the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2014:

	Less than one year	1 to 2 years	2 to 3 years	Total
	U.S. dollars in thousands			
Short term credit	10,381	-	-	10,381
Trade payables	7,351	-	-	7,351
Other payables	3,932	-	-	3,932
Loans from banks (including current maturities)	2,639	3,513	9,346	15,498
Payables for acquisition of subsidiary	773	-	-	773
Lease obligation	925	157	-	1,082
	26,001	3,670	9,346	39,017

NOTE 23:- FINANCIAL INSTRUMENTS (Cont.)

b. Summary of liquidity risk: (Cont.)

31 December 2013:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	Total
	U.S. dollars in thousands				
Short-term credit	10,615	-	-	-	10,615
Trade payables	6,852	-	-	-	6,852
Other payables	7,287	-	-	-	7,287
Loans from banks (including current maturities)	2,194	3,076	3,863	16,298	25,431
Payables for acquisition of subsidiary	1,563	500	-	-	2,063
Capital notes to shareholders and loans from shareholders	-	-	-	28,113	28,113
Lease obligation	860	794	20	-	1,674
	29,371	4,370	3,883	44,411	82,035

c. Fair value:

The fair value of cash and cash equivalents, short-term investments, accounts receivable, bank deposit, short-term credit and loans from banks, trade and other payables approximate their carrying amount due to the short-term maturities of these items. The fair value of non-current loans from banks approximate their carrying value as these loans bear interest at rates that are adjusted periodically to market rates.

Capital notes and loans from shareholders were remeasured to fair value during 2013 as a result of the new refinancing agreements with banks, see Note 18. The fair value as of 31 December 2013 approximates their carrying amount. The fair value information is categorised within Level 2 of the fair value hierarchy.

NOTE 23:- FINANCIAL INSTRUMENTS (Cont.)

d. Linkage terms of monetary balances:

	31 December 2014					31 December 2013				
	In dollars	In Sterling	In NIS	In other currencies	Total	In dollars	In Sterling	In NIS	In other currencies	Total
	U.S. dollars in thousands									
Assets:										
Cash and cash equivalents	9,682	1,456	153	129	11,420	2,032	442	60	136	2,670
Short-term investments	115	-	282	-	397	281	-	319	-	600
Trade receivables	6,138	3,895	190	24	10,247	6,308	1,830	30	-	8,168
Other receivables	1,140	409	242	779	2,570	-	136	316	412	864
Bank deposits	-	-	-	-	-	-	-	290	-	290
Total	17,075	5,760	867	932	24,634	8,621	2,408	1,015	548	12,592
Liabilities:										
Credit from banks and current maturities of long-term loans	11,880	-	-	-	11,880	11,410	-	127	-	11,537
Trade payables	5,855	783	371	342	7,351	5,232	805	332	483	6,852
Other payables	1,689	1,211	660	372	3,932	5,431	535	967	482	7,415
Payables for acquisition of subsidiary	763	-	-	-	763	1,557	-	-	-	1,557
Loans from banks	12,025	-	-	-	12,025	20,610	-	90	-	20,700
Capital notes to shareholders and loans from shareholders	-	-	-	-	-	19,792	-	956	-	20,748
Lease contract liability	-	1,057	-	-	1,057	-	1,594	-	-	1,594
Employee benefit liabilities	-	-	91	365	456	-	-	175	304	479
Total	32,212	3,051	1,122	1,079	37,464	64,032	2,934	2,647	1,269	70,882

NOTE 23:- FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity tests relating to changes in market factors:

1. Sensitivity to changes in the exchange rate of the dollar in relation to the NIS:

The following is an illustration of the effect of the changes in the exchange rate of the dollar in relation to the NIS on the income before taxes assuming that all other risk factors are constant:

	Gain (loss) from the change	
	Increase of 5% in exchange rate	Decrease of 5% in exchange rate
	U.S. dollars in thousands	
2014	2	(2)
2013	82	(82)

2. Sensitivity to changes in the exchange rate of the Sterling in relation to the dollar:

The following is an illustration of the effect of the changes in the exchange rate of the Sterling in relation to the dollar on the income before taxes assuming that all the other risk factors are constant:

	Gain (loss) from the change	
	Increase of 5% in exchange rate	Decrease of 5% in exchange rate
	U.S. dollars in thousands	
2014	66	(66)
2013	(256)	256

3. Sensitivity to changes in interest rates:

The following is an illustration of the effect of the changes in interest rates on the income before taxes assuming that all the other risk factors are constant:

	Gain (loss) from the change	
	Increase of 1%	Decrease of 1%
	U.S. dollars in thousands	
Effect of changes in the USD Libor interest:		
2014	(239)	239
2013	(320)	320

NOTE 23:- FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity tests relating to changes in market factors: (Cont.)

Sensitivity tests and principal assumptions:

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

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

The sensitivity test for long-term loans with variable interest was only performed on the variable component of interest.

NOTE 24:- EQUITY

a. Composition of share capital:

	31 December 2014		31 December 2013	
	Authorised	Issued and outstanding	Authorised	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.04 par value each	55,000,000	50,223,210	-	-
Ordinary A shares of NIS 1 par value each	-	-	900,000	125,000
Ordinary B shares of NIS 1 par value each	-	-	100,000	-

Ordinary shares confer upon their holders the right to participate and vote in the Company's general meetings. Ordinary shares confer their holders the right to receive dividends and the right to a share of excess of assets upon liquidation or any other way of return of capital at their par value.

b. According to a resolutions approved by the shareholders of the Company in April 2014:

(1) The authorised but unissued share capital of the Company of NIS 875,000 divided into 775,000 Ordinary A Shares of NIS 1.0 each and 100,000 Ordinary B Shares of NIS 1.0 each was re-designated and subdivided (split), conditional on Admission, into 21,875,000 Ordinary Shares of NIS 0.04 each; and

(2) The issued share capital of the Company of NIS 125,000 divided into 125,000 Ordinary A Shares of NIS 1.0 each was re-designated and sub-divided (split), conditional on Admission, into 3,125,000 Ordinary Shares of NIS 0.04 each.

(3) To increase the Company’s registered (authorised) share capital by NIS 1,200,000 divided into 30,000,000 Ordinary shares of NIS 0.04 each, following which the Company’s share capital shall amount to NIS 2,200,000 divided into 55,000,000 Ordinary shares of NIS 0.04 each.

NOTE 24:- EQUITY (Cont.)

c. In April 2014 the Company completed an initial public offering ("IPO") and its shares were admitted to trading on the London Stock Exchange's Alternative Investment Market (AIM). In the IPO, the Company issued 35,714,285 Ordinary shares at a price of 56 pence per Ordinary share. The total gross funds raised in the IPO were GBP 20 million ($33.5 million) and IPO related costs amounted to approximately $3.8 million.

d. Concurrent with the IPO, the Company issued 11,383,925 Ordinary shares to certain shareholders in consideration for the extinguishment of all capital notes and loans due to these shareholders with a carrying amount of approximately $21,310 thousand (par value of approximately $25,989 thousand).

e. In February 2012, the Company's banks, Bank Leumi and Discount Bank, consented to the sale of the marketing activities in Israel and agreed to release the liens on the related assets. In consideration for their consent, the Company issued 375,000 (after split) Ordinary shares to Bank Leumi and 250,000 (after split) Ordinary shares to Discount Bank at their par value. Following this issuance in February 2012, Bank Leumi held 12% and Discount Bank held 8% of the Company's outstanding share capital. As a result of the IPO in April 2014, the holding of Bank Leumi and Bank Discount were diluted to 0.7% and 0.5%, respectively.

f. For details of option plan for officers and employees, see Note 28.

g. Share options:

As part of a debt refinancing agreement with two banks in 2013, the Company issued to the banks, at no consideration, 100,000 options to purchase up to 100,000 Ordinary shares (after split) of the Company at an exercise price of $ 19.2 per share (after split). Each option is exercisable into one Ordinary share under a cashless exercise arrangement at any time through 31 December 2020.

All of the options were outstanding at 31 December 2014.

h. Warrants:

The Company and nominated adviser of the Company ("the adviser") entered into an agreement dated 10 April 2014 concurrent with the IPO of the Company. Under the agreement the Company issued warrants to the adviser, exercisable into 251,116 Ordinary Shares, at a price per share equal to the IPO placing price (56 pence). These warrants are exercisable at any time for a period ending in 15 April 2016. As of 31 December 2014, all the warrants were outstanding.

i. Capital reserves:

Adjustments arising from the translation of the financial statements:

The reserve is used to record changes in the exchange rates of foreign currency arising from the translation of the financial statements of investees which constitute foreign operations and changes in the exchange rates of foreign currency arising from the translation of financial statements from the functional currency to the presentation currency and to record exchange differences on intragroup loans which constitute part of the investment in foreign operation.

NOTE 24:- EQUITY (Cont.)

i. Capital reserves (Cont.):

Reserve from transaction with shareholders:

Assets and liabilities involved in a transaction between the Company and the controlling shareholder or between companies under common control are recognised at fair value at the date of the transaction. The difference between the fair value and the consideration determined in the transaction is presented in a separate item in equity "reserve from transaction with shareholders".

As a result of the remeasurement to fair value of the shareholders' loans, capital notes and fees payable as described in Note 18, the difference between their carrying amounts and their fair values in the amount of $ 10,165 thousand was recorded in the Company's equity as capital reserve for transactions with shareholders.

j. Management of the capital in the Company:

The Company's capital management objectives are:

1. To preserve the Company's ability to ensure business continuity thereby creating a return for the shareholders and other interested parties.
2. To maintain healthy capital ratios in order to support business activity and maximise shareholders value.

NOTE 25:- COLLATERAL AND CHARGES

a. As collateral for long and short-term loans and credit facilities from banks, the Company recorded in their favor a senior fixed charge on its unpaid share capital and goodwill and a senior floating charge on its plant, business and all assets and rights of any class and type whatsoever that the Company possesses or may possess in the future. The Company has undertaken not to sell, lease or grant title to the pledged property and not to mortgage, pledge or confer lien rights to the pledged property, without the consent of the banks.

The Company has undertaken that certain of the subsidiaries will record senior fixed charges on all the shares held by them in the Group's subsidiaries (including the shares of the joint venture, held by the Company), including all rights and dividends in respect of such shares. The recording of these charges is still in process

For the fulfillment of the liabilities toward the banks, all the shareholders transferred part of their shares in the Company to a trust company of one of the banks that shall hold the shares in trust for both banks that gave the Company such credit.

b. The Egyptian subsidiary provided bank guarantees in the amount of approximately $ 50 thousand in favor of foreign authorities.

c. As for pledged deposits, see Note 7.

NOTE 26:- ADDITIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2014	Year ended 31 December 2013
	U.S. dollars in thousands	
a. Revenues from sales to major customers:		
Customer A - the U.K.	30,886	36,264
Customer B - the U.S.	10,175	20,299
Customer C - the U.S.	17,919	12,896
Customer D - the U.S.	11,748	7,182

	Year ended 31 December 2014	Year ended 31 December 2013
	U.S. dollars in thousands	
b. Cost of sales:		
Materials consumed	15,348	12,993
Payroll and related expenses	5,953	5,523
Subcontractors and subcontracted work	54,744	56,270
Depreciation and amortisation	1,866	1,548
Other manufacturing expenses	3,029	3,376
	80,940	79,710
Changes in inventories	(865)	1,039
	80,075	80,749

	Year ended 31 December 2014	Year ended 31 December 2013
	U.S. dollars in thousands	
c. Selling and marketing expenses:		
Payroll and related expenses	2,488	2,531
Transportation and storage	3,010	2,903
Depreciation and amortisation	935	912
Advertising	166	119
Rent	236	268
Bad debts and doubtful accounts	22	14
Other	1,836	1,918
	8,693	8,665

NOTE 26:- ADDITIONAL INFORMATION TO ITEMS IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

	Year ended 31 December	
	2014	**2013**
	U.S. dollars in thousands	
d. General and administrative expenses:		
Payroll and related expenses	2,545	2,612
Consulting	320	177
Depreciation and amortisation	28	18
Other	1,428	875
	4,321	3,682

	Year ended 31 December	
	2014	**2013**
	U.S. dollars in thousands	
e. Development costs:		
Payroll and related expenses	2,636	2,337
Material consumed	430	483
Other	132	259
	3,198	3,079

	Year ended 31 December	
	2014	**2013**
	U.S. dollars in thousands	
f. Finance income:		
Short-term investments and bank deposits	6	6
Exchange differences on monetary items and intragroup balances	-	421
	6	427
g. Finance expenses:		
Long-term loans from banks	853	697
Short-term loans from banks	521	888
Exchange differences on monetary items and intragroup balances	397	-
Other	1,393	1,946
	3,164	3,531

NOTE 27:- TAXES ON INCOME

a. Tax laws applicable to the Company in Israel:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli Consumer Price Index ("CPI").

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

b. Tax laws applicable to foreign Group companies:

Foreign subsidiaries are taxed according to the tax laws in their countries of residence.

c. Tax rates applicable to the income of the Group companies:

1. Companies in Israel:

The Israeli corporate tax rate was 26.5% in 2014 and 25% in 2013.

On August 5, 2013, the "Knesset" issued the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law"), which consists, among others, of fiscal changes whose main aim is to enhance the collection of taxes in those years.
These changes include, among others, increasing the corporate tax rate from 25% to 26.5%, cancelling the reduction in the tax rates applicable to privileged enterprises (9% in development area A and 16% elsewhere) and, in certain cases, increasing the rate of dividend withholding tax within the scope of the Law for the Encouragement of Capital Investments to 20% effective from January 1, 2014. There are also other changes such as taxation of revaluation gains effective from August 1, 2013. The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of overseas assets. As of the date of approval of these financial statements, these regulations have not been issued.

The change in the tax rates in 2013 did not have a material effect on the financial statements.

NOTE 27:- TAXES ON INCOME (Cont.)

c. Tax rates applicable to the income of the Group companies: (Cont.)

2. Foreign subsidiaries:

The principal tax rates applicable to the subsidiaries whose place of incorporation is outside Israel are:

A company incorporated in the U.S. - in 2014 the weighted tax is at the rate of about 40% (federal tax, state and city tax in the place of operation of the company).

Companies incorporated in the U.K. - 2014 - 27%.

A company incorporated in Egypt (1)

A company incorporated in Switzerland (2)

(1) The statutory tax rate in Egypt is 25%. The company operates in a free trade zone and is entitled to a full income tax exemption. The tax and other benefits available to the Company in the free trade zone are for a period of 25 years commencing from 2003. Based on an amendment published in 2013, the period of the company's license to operate in the free trade zone is limited to the date on which the lease of its property in the free trade zone ends. The Company has extended the lease agreement to December 2016, and is in the process of extending its operating license for the same period.

(2) The weighted tax rate applying to the company operating in Switzerland is about 22.2% (including federal, cantonal and municipal tax). Since 2005, the company operates under a special tax arrangement according to which if the company meets certain conditions, the weighted tax rate applicable to its income in Switzerland will be 4%.

At the beginning of 2010, the Company acquired the business activity of the Swiss subsidiary and transferred it to Israel. With the transfer of the business activity from Switzerland to Israel, the Swiss subsidiary became a holding company only. According to the tax arrangement with the authorities in Switzerland, upon the transfer of activity, the Swiss company's revenues from dividends and capital gains are tax exempt in Switzerland (subject to certain conditions anchored in the tax arrangement). Other revenues like management fees, interest and etc. are also tax exempt in Switzerland (subject to certain conditions according to the tax arrangement). Other revenues of the Swiss company (if any) are liable to tax at the rate of 7.84% (exemption from the cantonal tax will be received).

On 31 December 2010, the Company's Board accepted a decision to sell the holdings of the Swiss subsidiary in several subsidiaries to other Group companies this in order to prepare for the option of closing the Swiss subsidiary. As part of the internal restructuring of the Group, holdings in Bagir Holding Limited which were held by British Island Bagir (BVI) Ltd. were transferred to the Company in Israel. Simultaneously, the Swiss subsidiary's holdings in the German subsidiary, Bagir GmbH, were transferred to the U.K. subsidiary, Bagir Holding Limited.

NOTE 27:- TAXES ON INCOME (Cont.)

c. Tax rates applicable to the income of the Group companies: (Cont.)

During 2013, the Company started a voluntary liquidation process of the Swiss subsidiary as well as completing the sale of its remaining holdings in subsidiaries. The expenses associated with the liquidation process were recognised in the financial statements in the year 2013. The sale of its remaining holdings in subsidiaries and the liquidation process have been completed in August 2014.
As result of the liquidation process and not meeting the tax arrangement terms as described above, the Swiss subsidiary paid an amount of $ 270 thousand to the Swiss tax authority. The Company included in 2013 a provision in respect of that amount.

d. Final tax assessments:

The Company has not received final tax assessments since its incorporation (July 2007), however, the assessments of the Company are deemed final through 2009. The majority of foreign subsidiaries have received final tax assessments until 2010-2011, inclusive.

e. Losses and deductions carried forward for tax purposes:

As of 31 December 2014, carry-forward operating losses and temporary differences of the Company total approximately $ 29.8 million and capital tax losses total approximately $ 27.8 million.

As of 31 December 2014, carry-forward operating losses of foreign subsidiaries total approximately $ 5.4 million.

Tax benefit of approximately $ 0.4 million relating to tax losses of approximately $ 0.9 million was recorded.

The tax benefit in respect of the remaining losses and temporary differences has not been recorded in the financial statements due to the uncertainty of their utilisation.

f. In 2014 a subsidiary in the UK discovered and notified the HMRC of a non-deliberate error in certain VAT reports filed with the HMRC and filed error correction form. Based, among others, on the advice of its VAT consultants, the Company believes that the outcome of this matter will not have a material impact on the Company.

g. Deferred taxes:

Composition:

	Statement of financial position		Statement of profit or loss and other comprehensive income	
	31 December		Year ended 31 December	
	2014	2013	2014	2013
	U.S. dollars in thousands			
Deferred tax liabilities:				
Depreciable assets	116	164	(48)	(48)
Deferred tax assets:				
Carryforward tax losses	372	486	114	-
Deferred tax expense (income)			66	(48)

NOTE 27:- TAXES ON INCOME (Cont.)

g. Deferred taxes: (Cont.)

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

	31 December	
	2014	2013
	U.S. dollars in thousands	
Non-current assets	372	486
Non-current liabilities	(116)	(164)
	256	322

The deferred taxes are computed at the tax rate of 40% (2013 - 40%), based on the tax rates that are expected to apply upon realisation.

h. Tax expenses included in the statement of profit or loss and other comprehensive income:

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Current taxes	6	-
Deferred taxes	66	(48)
Taxes in respect of previous years	(111)	88
	(39)	40

2014 - The current taxes were computed at the average tax rate of about 40%.

i. Below is reconciliation between the tax expense assuming that all the income was taxed at the statutory tax rates applicable to the companies in Israel and the tax expense as reported in the statement of profit or loss and other comprehensive income:

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Loss before taxes on income	(3,217)	(1,180)
Statutory tax rate	26.5%	25%
Tax benefit computed at the statutory tax rate	(853)	(295)
Increase (decrease) in taxes on income resulting from the following factors:		
Differences between statutory tax rate in Israel and the tax rates on foreign companies	(23)	1
Nondeductible expenses	115	367
Differences in measurement basis between tax purposes and financial reporting purposes	222	874
Utilisation of carry forward tax losses and temporary differences for which no deferred taxes have been recorded in the past	(226)	(431)
Losses for which no tax benefit has been recorded	726	330
Taxes in respect of previous years	(111)	88
Other	111	(894)
Tax expense (tax benefit)	(39)	40

NOTE 28:- SHARE-BASED PAYMENT

a. The expense recognised in the financial statements for share-based payments is shown in the following table:

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Equity-settled share-based payment plans	33	44

b. Share-based payment transactions granted to the Chairman, CEO and employees of the subsidiaries in 2013:

In September 2013, the Company's Board of directors resolved to reserve for employees of the Company and/or of the Company's subsidiaries (including foreign subsidiaries), up to 350,000 options (after split).

The options are to be granted at no consideration. Each option is exercisable into one Ordinary share of the Company (subject to adjustments) at an exercise price of $ 1.60 (after split) under a cashless exercise arrangement.

On 30 November 2013, 322,250 options (after split) were granted. The options vest in four equal tranches as follows:
The first tranche vested on the grant date, the second tranche vested on 31 December 2013 and the third and fourth tranches vest on 31 December 2014 and 31 December 2015, respectively. The options expire 10 years from the date of grant.

The following are the inputs to the binomial option pricing model used for the fair value measurement of the above options as determined by an independent appraiser:

Dividend yield - 0%
Expected volatility - 40.6%
Risk-free interest rate - 2.77%
Expected life of options - 10 years
Share price - $ 18.6

Based on the above inputs, the fair value of the options amounted to $ 80 thousand at the grant date.

The options were granted through a trustee arrangement pursuant to section 102 of the Income Tax Ordinance.

c. In March 2014, the Board of Directors resolved to increase the number of options available for grants to employees of the Group from 350,000 options to 875,000 options. The options are to be granted for no consideration. Each option is exercisable into one Ordinary share of the Company (subject to adjustments) under the cashless method against the payment of the exercise price of the par value of each share. On that date, the Company granted an additional 499,700 options to the participants who were already granted options under the Share Option Plan. Each participant was granted such number of options, pari passu, to the number of options granted to such participant in November 2013. Half of the options vested immediately on the grant date, a further 25% vests on 31 December 2014 and a further 25% vests on 31 December 2015. The options expire 10 years from the date of grant. The fair value of the options granted was immaterial.

No share options were exercised during 2014 and 2013.

NOTE 29:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances:

As of 31 December 2014:

	Shareholders		Key management personnel
	Banks	Others	
	U.S. dollars in thousands		
Other payables	-	-	161

As of 31 December 2013:

	Shareholders		Key management personnel
	Banks	Others	
	U.S. dollars in thousands		
Other payables	-	-	149
Loans from banks (Note 17)	32,020	-	-
Capital notes to shareholders and loans from shareholders (Note 18)	-	20,748	-

b. Transactions with related parties:

Year ended 31 December 2014:

	Shareholders	
	Banks	Other
	U.S. dollars in thousands	
Finance expenses	479	562

Year ended 31 December 2013:

	Shareholders		Joint venture
	Banks	Other	
	U.S. dollars in thousands		
Cost of sales	-	-	312
Finance expenses	1,151	1,589	-

c. Benefits to key management personnel :*)

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Short-term benefits	1,408	1,188
Post-employment benefits	96	58
Share-based payment	24	33
	1,528	1,279

*) Include members of the Board of Directors.

NOTE 30:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and loss used in the computation of basic and diluted loss per share:

Year ended 31 December			
2014		2013	
Weighted number of shares (1)	Loss from operations	Weighted number of shares (1)	Loss from operations
In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
(2) 36,486	(3,178)	3,125 (2)	(1,220)

(1) The data related to the computation of basic and diluted loss per share (options and warrants have not been included as they are antidilutive).

(2) The weighted number or shares are after share split, see Note 24 (b).

NOTE 31:- OPERATING SEGMENTS

a. General:

The Group's activity is the manufacturing and marketing of men and women's tailored fashion (mainly men's).

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. The Group's products are primarily marketed to two geographical areas: Europe and the U.S. and, accordingly, the Company has two geographical segments. The Company's activities in Europe are concentrated primarily in the U.K.

b. Reporting on operating segments:

	Europe (mainly the U.K.)	U.S.	Other	Total
	U.S. dollars in thousands			
Year ended 31 December 2014:				
Total revenues from external customers	52,838	42,057	2,087	96,982
Segment profit (loss)	(784)	979	370	565
Unallocated expenses, net				(62)
Finance expense, net				(3,720)
Loss before income taxes				(3,217)

NOTE 31:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments: (Cont.)

	Europe (mainly the U.K.)	U.S.	Other	Total
	U.S. dollars in thousands			
Year ended 31 December 2013:				
Total revenues from external customers	53,580	44,240	1,670	99,490
Segment profit	1,208	2,134	165	3,507
Unallocated income, net				6
Finance expense, net				(4,693)
Loss before income taxes				(1,180)

c. Additional information:

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
1. Capital expenditures:		
U.K.	136	161
U.S.	162	97
	298	258
2. Depreciation and amortisation:		
U.K.	1,108	860
U.S.	1,721	1,627
	2,829	2,487

d. The carrying amounts of non- current assets (property, plant and equipment and intangible assets) in the Company's country of domicile (Israel) and in foreign countries based on the location of the assets, are as follows:

	31 December	
	2014	2013
	U.S. dollars in thousands	
Israel	2,761	4,253
U.K.	2,017	2,103
U.S.	6,227	6,231
Other	960	1,931
	11,965	14,518

NOTE 32:- LIST OF INVESTEES

	2014		2013	
	Shares conferring voting rights	Shares conferring rights to profits	Shares conferring voting rights	Shares conferring rights to profits
	%			
Active companies				
Subsidiaries				
Bagir Europe S.A, Switzerland (2)	-	-	100	100
Bagir Holding Limited, U.K.	100	100	100	100
Bagir (U.K.) Limited., U.K. (a subsidiary of Bagir Holding Limited) (1)	-	-	100	100
P.B. (Tailoring) Limited, U.K. (a subsidiary of Bagir (U.K.) Limited) (1)	-	-	100	100
Bagir (BVI) Limited, British Virgin Islands (a subsidiary of Bagir Holding Limited U.K.)	100	100	100	100
Bagir International, Inc., U.S. (a subsidiary of Bagir Holding Limited U.K.)	100	100	100	100
Middle East Tailoring Company SAE, Egypt (owned by Bagir (BVI))	100	50	100	50
Dalian Bagir Far East Trading Company, China	100	100	100	100
Joint venture				
Nazareth Garments Share Company, Ethiopia (see Note 11)	50	50	-	-
Inactive companies				
Bagir (Wigan) Limited, U.K. (a subsidiary of Bagir Holding Limited U.K.) (3)	-	-	100	100
Bagir GmbH, Germany (a subsidiary of Bagir Holding Limited) (3)	-	-	-	-
DRNBHV, Schuler Herrenkleiderfabrik GmbH (a subsidiary of Bagir GmbH) (3)	-	-	-	-
World Wide Fashion Textil Sirketi, Turkey	100	100	100	100
Bagir Confecceos Lda, Portugal	100	100	100	100

(1) Bagir (U.K.) Limited. U.K. and P.B. (Tailoring) Limited, U.K. were merged on 31 December, 2014 into Bagir Holding Limited, U.K.

(2) The Company was under liquidation process that has been completed in August 2014, see Note 27 (c).

(3) The Company was inactive in prior years, the liquidation process of the Company was completed in 2014.

(4) Companies in insolvency and liquidation.

NOTE 33:- SUBSEQUENT EVENTS

After the reporting date, in January 2015, the Company signed an amendment to the financing agreements with the banks in the framework of which the Company has undertaken as follows:

(1) Regarding its investment in the joint venture, Nazarath Garment Share Company ("Nazarath"):

- To inform the banks of any intention to obtain control of Nazarath and the effect of the consolidation of Nazarath on the Company's financial statements.

- To undertake that the Company’s loans to Nazarath should not exceed $ 5 million.

- The Company’s loans to Nazarath will be used to finance working capital and/or current investments rather than finance losses of Nazarath.

(2) The Company has undertaken to meet certain revised financial covenants regarding debt coverage ratio and minimum equity and tangible equity, and these covenants vary depending on whether Nazarath is consolidated.

(3) The Company also undertook to make an early repayment of $2.3 million in January 2015 of long-term loans (that were originally scheduled for payment in 2015 and 2016) and an early repayment of $0.3 million in the fourth quarter of 2015 (that were originally scheduled for payment at the end of 2017.

- - - - - - - - - - - - - -