G WILLI FOOD INTERNATIONAL LTD
Form 20-F
June 29, 2004

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

FORM 20-F

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

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ______________

COMMISSION FILE NO. 0-29256

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

ISRAEL
(Jurisdiction of incorporation or organization)
3 NAHAL SNIR ST., NORTHERN INDUSTRIAL ZONE, YAVNE, 81224, ISRAEL
(Address of principal executive offices)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT
TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT
TO SECTION 12(g) OF THE ACT:

ORDINARY SHARES, NIS 0.10 PAR VALUE PER SHARE
(TITLE OF CLASS)

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT
TO SECTION 15(d) OF THE ACT:
NONE

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

As of May 31, 2003, the registrant had outstanding 4,307,500 ordinary shares, NIS 0.10 nominal value per share (4,277,500 ordinary shares as of December 31, 2003).

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

Yes [X] No [_]

Indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17. [X] Item 18. [_]

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIME TABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 2003 and 2002 and for each of the years ended December 31, 2003, 2002 and 2001 have been derived from the consolidated financial statements and notes included in this report. The selected consolidated financial data as of December 31, 2001, 2000 and 1999 and for each of the years ended December 31, 2000 and 1999 have been derived from the consolidated financial statements and notes of the Company not included in this report. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Israel ("Israeli GAAP"). Israeli GAAP, as applicable to the financial statements, are, in all material respects, substantially identical to generally accepted accounting principles in the United States ("US GAAP"), except for the accounting recognition of the effects of inflation on the financial statements and except for the presentation of cash flows. See Note 2 and Note 13 of Notes to the Company's consolidated financial statements.

The Company's consolidated financial statements for each of the five years ended as of December 31, 2003 have been audited by Brightman Almagor & Co. independent certified public accountants and a Member Firm of Deloitte Touche Tohmatsu, whose report with respect thereto appears in the consolidated financial statements included in this report. The selected consolidated financial data set forth below should be read in conjunction with "Item 5: "Operating And Financial Review And Prospects", the consolidated financial statements and notes thereto for the Company and the other financial information included in this report.

The Company maintains its accounts and presents its financial statements in New Israeli Shekels ("NIS"), adjusted for changes in the general purchasing power of the Israeli currency as measured by changes in the Israeli Consumer Price Index ("CPI") and compiled in the manner explained in Note 2 of the Notes to the Company's consolidated financial statements. All references in this report to "dollars" or "USD" are to United States dollars. For convenience purposes, all financial data presented in this report that is stated in USD has been translated into USD using the representative exchange rate as of December 31, 2003 of NIS 4.379 = USD 1.00.

The average exchange rate of NIS to one US dollar was 4.14 for the year ended December 31, 1999, 4.077 for the year ended December 31, 2000, 4.416 for the year ended December 31, 2001, 4.737 for the year ended December 31, 2002 and 4.51 for the year ended December 31, 2003. In 2004, the exchange rate of NIS to one US dollar was 4.438 on January 31, 4.485 on February 29, 4.528 on March 31, 4.588 on April 30 and 4.555 on May 31.

CONSOLIDATED STATEMENT OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE DATA)
(NIS AS ADJUSTED)

YEARS ENDED DECEMBER 31

	2003		2002		2001
	NIS	USD	NIS	USD	NIS
Sales	137,385	31,374	128,870	29,429	133,021
Cost of Sales	110,160	25,157	101,126	23,093	102,955
Gross Profit	27,225	6,217	27,744	6,336	30,066
Selling Expenses	11,662	2,663	10,024	2,289	10,000
General and administrative expenses	8,335	1,903	8,199	1,872	9,054
Total Operating expenses	19,997	4,566	18,223	4,161	19,054
Operating income	7,228	1,651	9,521	2,175	11,012
Financial income (expenses), net	4,336	990	(239)	(55)	1,802
Other income (expenses), net	101	23	29	7	--
Income before taxes on income	11,665	2,664	9,311	2,127	12,814

Taxes on income	2,889	660	2,254	515	4,183	
Net income	8,776	2,004	7,057	1,612	8,631	
Earnings per ordinary share data Basic earnings per share	2.05	0.47	1.65	0.38	2.02	
Shares used in computing earnings per ordinary shares	4,277,500	4,277,500	4,227,500	4,227,500	4,277,500	4,

	2000		1999	
	NIS	USD	NIS	USD
Sales	134,319	30,673	137,871	31,485
Cost of Sales	105,064	23,993	109,625	25,034
Gross Profit	29,255	6,680	28,246	6,451
Selling Expenses	9,568	2,185	7,259	1,658
General and administrative expenses	8,780	2,005	8,777	2,004
Total Operating expenses	18,348	4,190	16,036	3,662
Operating income	10,907	2,490	12,210	2,789
Financial income (expenses), net	1,553	355	592	135
Other income (expenses), net	26	6	(53)	(12)
Income before taxes on income	12,486	2,851	12,749	2,912
Taxes on income	4,255	972	4,514	1,031
Net income	8,231	1,879	8,235	1,881
Earnings per ordinary share data Basic earnings per share	1.96	0.45	2.02	0.46
Shares used in computing earnings per ordinary shares	4,277,500	4,277,500	4,147,500	4,147,500

BALANCE SHEET DATA
(IN THOUSANDS)
(NIS AS ADJUSTED)

AS OF DECEMBER 31

	2003		2002		2001		2000	
	NIS	USD	NIS	USD	NIS	USD	NIS	USD
Working capital	83,861	19,151	75,732	17,294	68,614	15,669	59,815	13,65
Total assets	109,619	25,033	94,741	21,635	92,460	21,114	77,476	17,69
Short-term bank debt	45	10	1,052	240	2,251	514	--	-
Loans from parent company	--	--	--	--	--	--	--	-
Shareholders' equity	87,150	19,902	78,374	17,898	71,306	16,284	62,679	14,31

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

For information with respect to "Risk Factors" affecting the Company, see Item 11.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

G. Willi-Food International Ltd. was incorporated in Israel in January 1994 under the name G. Willi-Food Ltd. and commenced operations in February 1994. It changed its name to G. Willi-Food International Ltd. in June 1996.

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

In April 2000, the Company filed a Registration Statement on Form F-3 for the registration, under the United States Securities Act of 1933, as amended, of 2,880,000 ordinary shares, held by certain principal shareholders.

Unless the context otherwise requires, all references herein to the "Company", "we" or "our" shall mean G. Willi-Food International Ltd. together with all of its subsidiaries.

The Company's principal executive offices are situated at 3 Nahal Snir St., Northern Industrial Zone, Yavne, 81224 Israel. The Company's telephone number is 972-8-9322233 and its fax number is 972-8-9322299.

B. BUSINESS OVERVIEW

OVERVIEW

G. Willi-Food International Ltd. (the "Company") is an Israeli-based company engaged, directly and through subsidiaries, in the import, marketing and distribution in Israel of over 400 food products, including canned fruit and vegetables, jams and jellies, prepared sauces, pickled olives and other pickled vegetables, packaged fruit, canned fish, edible oils, dried fruit and nuts, coffee creamers, halva, sweet spreads, pasta, tahini, cookies and pastries, vinegar, noodles, rice and rice sticks, cornflour, tea, certain dairy products, certain frozen fish and certain other frozen and chilled products. The Company sells products with widespread demand in the Israeli marketplace, as well as products which cater to more select groups. The Company distributes certain of its products on an exclusive basis. Some products are currently also sold in insubstantial volume in the areas administered by the Palestinian Authority. The Company has occasionally sold, in insubstantial volume, to importers in Europe (mainly, France). The Company intends to continue our marketing efforts outside of Israel.

The Company purchases food products from over 100 suppliers located around the world, including the Far East (China, India, the Philippines and Thailand), Eastern Europe (Hungary, Latvia, Poland), South America (Argentina, Ecuador and Costa Rica), the United States, Western and Northern Europe (The Netherlands, Belgium, Germany, Sweden, Denmark, France) and southern Europe (Spain, Portugal, Italy, Turkey, Greece and Cyprus).

The products imported by the Company are marketed and sold to over 600 customers, including supermarket chains, wholesalers and institutional consumers. The Company markets most of the products under the brand name "Willi-Food." Certain products are marketed under brand names of the manufacturers, or under other brand names.

The Company is re-evaluating its strategic position and considering other business opportunities, including acquisitions by and mergers of the Company. As part of this re-evaluation, the Company is also considering forming strategic alliances with or entering into different lines of business. The Company has not made any definitive plans or reached any definitive conclusions on these matters. There can be no assurances that the Company will form any such alliances or enter into any other line of business.

The Company's principal shareholder, Willifood Investments Ltd., which we refer to as Willifood, whose primary asset is the Company's ordinary shares, holds approximately 78.19% of the Company's outstanding share capital. See "Item 7: "Major Share Holders and Related Party Transactions." Willifood's securities are traded on the Tel Aviv Stock Exchange.

OUR BUSINESS

The following is a description of the Company's principal business activities.

SUBSIDIARIES

Willi-Food Frozen Products Ltd., which we refer to as Willi Frozen (previously Fanny Food Importing and Distribution (1996) Ltd.), a wholly-owned subsidiary of the Company, was incorporated in Israel in September 1996. It is the Company's practice, occasionally, to import, market and distribute certain food products, including frozen and chilled fish, dairy and other products through this subsidiary. Willi Frozen has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased from them. The sales of Willi Frozen as of the year ended December 31, 2003 amounted to NIS 0 thousand, of the year ended December 31, 2002 amounted to NIS 0 thousand, of the year ended December 31, 2001 amounted to NIS 0 thousand,

and in the year ended December 31, 2000 - NIS 853 thousand (US dollar 195 thousand).

In November 1995, the Company also incorporated a wholly-owned subsidiary, W.F.D. (Import, Marketing and Trading Ltd.), which we refer to as W.F.D. The Company occasionally imports certain foodstuffs through this subsidiary, which sells these products to the Company. W.F.D. has no assets, facilities or obligations, other than those amounts owed to suppliers overseas with respect to products purchased therefrom. The sales of W.F.D. as of the year ended December 31, 2003 amounted to NIS 0 thousand, of the year ended December 31, 2002 amounted to NIS 0 thousand, of the year ended December 31, 2001 amounted to NIS 0 thousand, and in the year ended December 31, 2000 - NIS 363 thousand (US dollar 83 thousand).

In May 2001, the Company acquired all the shares of Gold Frost Ltd., which we refer to as Gold Frost, for NIS 336 thousand (USD 77 thousand). Gold Frost is engaged in locating suppliers abroad and importing frozen and chilled food products. Among the products imported by Gold Frost are smoked fish, cheese, butter and antipasti. Gold Frost imports these products from the US, Denmark, Sweden, Bulgaria, Italy, Greece and the Netherlands.

The Company purchased Gold Frost in order to take advantage of Gold Frost's know-how in importing frozen and chilled products as well as of its well known brand name in the Israeli market. In June 2001, the Company signed an agreement with Gold Frost to store and market the food products imported by Gold Frost through the Company for a commission of 15% (which changed to 20% in 2002 and 2003) of the total monthly sales of Gold Frost's products which were sold by the Company within that month. Gold Frost imports to Israel over 120 products, usually packed for private consumers (cans, jars, containers and plastic sealed and vacuumed packages), but also for institutional consumers. Gold Frost is working towards widening the variety of products it imports.

Gold Frost does not market its products, but rather uses the Company for this purpose. The agreement between the Company and Gold Frost states that the Company shall provide Gold Frost with marketing services until December 31, 2003. The agreement is automatically renewable each year for one year periods. The volume of commissions paid by Gold Frost to the Company in 2003 amounted to NIS 5.40 million (USD 1.20 million), in 2002 NIS 3.51 million (USD 0.80 million) and in 2001 NIS 1.43 million (USD 0.33 million).

During July 2001, Gold Frost entered in two agreements with private companies for consultation services regarding the operation and maintenance of refrigerated warehouses and refrigerated storage. This service was provided for a one year period.

Gold Frost finances its activities by loans from banks and equity. As of December 31, 2003, Gold Frost's equity amounted to NIS 7.66 million (USD 1.75 million) and it held cash and cash equivalents of NIS 6.38 million (USD 1.46 million) and inventory of NIS 3.70 million (USD 0.85 million). As of December 31, 2002, Gold Frost's equity amounted to NIS 4.30 million (USD 0.98 million) and it held cash and cash equivalents of NIS 2.77 million (USD 0.63 million) and inventory of NIS 3.1 million (USD 0.71 million). As of December 31, 2001, Gold Frost's equity amounted to NIS 1.78 million (USD 0.41 million) and it held cash and cash equivalents of NIS 0.48 million (USD 0.11 million). Gold Frost has at its disposal bank credit, which is guaranteed by the Company without limitation.

As of December 31, 2003, the Company's wholly-owned subsidiaries had no indebtedness to banks. See "Item 8: "Guarantees and Pledges."

BUSINESS STRATEGY

The Company's business strategy is:

- to increase market penetration of products that are currently sold by the Company through, among other things, marketing and sales campaigns; and
- to expand its current food product lines and diversify into additional product lines.

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

- to continue to locate additional food products, some of which may be new to Israeli consumers;
- to increase its inventory levels from time to time both to achieve economies of scale on its purchases from suppliers and to more fully meet its customers' demands;
- to penetrate new markets within the Middle East, through the establishment of business relationships with representatives in such markets subject to a positive political climate.

The Company has developed certain trade relationships locally, as well as in areas administered by the Palestinian Authority, although the current sales volume to the Palestinian administered areas is rather low. In addition, the Company has:

- initiated sales in Europe;
- entered into arrangements with recognized manufacturers to market their products under their respective brand names, in addition to brand names under which the Company currently markets its products; and
- introduced additional food products to the Israeli marketplace under the brand name "Willi-Food."

On March 7, 2000, the Company's board of directors authorized the Company's management to examine proposals and conduct negotiations with respect to the potential investment by the Company and, subject to applicable law, the Company's major shareholder, Willi Food's, of an aggregate sum of up to USD 4 million in businesses engaged in communications and/or Hi-Tech activities, provided that the terms of any particular transaction are subject to board approval and, if required by law, shareholder approval. As of the date of this report, the Company has not yet entered into any definitive agreements in implementation of such resolution and there can be no assurance that the Company will enter into any such definitive agreements.

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PRODUCTS

The Company imports, markets and distributes a broad variety of over 400 food products, most of which enjoy a relatively long shelf life. Such products are sold in a variety of sizes and types of receptacles, such as tin cans, glass jars, plastic and glass bottles and containers and sealed plastic vacuum packages, intended for use by the individual consumer, as well as the institutional consumer food markets.

The Company aims at widening the variety of the products it imports. Due to commercial considerations, the Company occasionally stop importing certain products.

The Company's main product lines and the principal products of each line are as follows:

- CANNED VEGETABLES: including okra, mushrooms (whole and sliced), artichoke (hearts and bottoms), pees, beans, asparagus, corn, baby corn, palm hearts, vine leaves (including vine leaves stuffed with rice) as well as additional canned vegetables. These products are primarily imported from China, Spain, Greece, Thailand, South America, Turkey, France, India, Poland and The Netherlands.

- CANNED FISH: including tuna (in oil or in water), sardines, anchovies, smoked cod liver, sprats, and salmon. These products are primarily imported from Thailand, Philippines, Canada, Portugal, Spain, Greece, Sweden and Latvia.

- DAIRY PRODUCTS: yogurt, cheeses, including hard cheeses and semi-hard cheese such as parmesan, emental, edam, kashkaval, molded cheeses such as brie, camembert, danablue, feta cheese, butter, butter spreads, margarine, profiterols and others. These products are primarily imported from Greece, Denmark, Bulgaria, Italy and The Netherlands.

- EDIBLE OILS: including sunflower oil, soy bean oil, corn oil, and olive oil. These products are primarily imported from Argentina, Italy, Turkey and Spain.

- CANNED FRUIT: including pineapple (sliced or pieces), peaches, fruit cocktail, apricot, pears, cherries, mangoes and lichees. These products are primarily imported from Thailand, Philippines, Greece, Europe and South America.

- DRIED FRUIT, NUTS AND BEANS: including figs, apricots, pineapple, papaya, prunes, raisins, banana chips, sun flower seeds, pine nut kernels, almonds, walnuts, cashew nuts and peanuts. These products are primarily imported from Greece, Turkey, India, China, Thailand, and the United States.

- CHILLED AND FROZEN PRODUCTS: including frozen fish (fillets of salmon, smoked salmon, fillets of herring, smoked herring etc.), and frozen vegetables. These products are primarily imported from Greece, Scandinavia and The Netherlands.

- OTHER PRODUCTS: including, among others, coffee creamers, condensed milk, fruit juices, jams, halva, Turkish delight, pasta, tahini, ketchup, mayonnaise, cookies, vinegar, sweet pastry and crackers, sauces, flours, coffee, sour pickles, mixed pickled vegetables, pickled peppers, an assortment of black and green olives, rice, rice sticks, rice crackers, pasta and noodles. These products are primarily imported from the Netherlands, Italy, Greece, Belgium, the United States, Scandinavia, Poland, China, Thailand, Turkey, India and Argentina.

Some of the products sold by the Company are imported by Gold Frost.

The Company did import some of these products in the past, but this was done on a small scale aimed at testing the demand for such products and their profitability. After the purchase of Gold Frost the import of these products was emphasized and expanded by Gold Frost.

The products with the largest sales volume for the year ended December 31, 2003 were canned fish (22% of sales), canned vegetables (19% of sales), edible oils (16% of sales), dairy products (15% of sales), rice and pasta (8% of sales) and canned fruits (5% of sales).

For the year ended December 31, 2002, canned vegetables were 22% of sales, canned fish was 19% of sales, dairy products were 11% of sales and edible oils were 9% of sales. For the year ended December 31 2001, canned fish was 23% of sales, edible oils were 10% of sales, canned mushrooms were 5% of sales and canned fruit was 8% of sales.

Most of the products that the Company imports and markets are approved as Kosher by and/or under the supervision of various supervisory institutions including the Kashrut Committee of the Shearit Israel Rabbinical Court, Chug Chatam Sofer Bnei Brak, Chug Chatam Sofer Petach Tikva, the Chief Rabbinate of Israel, Achdut Israel, certain Jewish organizations administering Kashrut procedures and certifications (such as the Union of the Orthodox Jewish Congregation of America (O.U.), OK, Kof-k, Star-K, etc.) and rabbis of local Jewish congregations abroad. See "Government Regulation."

SUPPLIERS

The Company purchases food products from over 100 suppliers worldwide, including suppliers located in the Far East (China, India, the Philippines and Thailand), Eastern Europe (Bulgaria, Hungary, Latvia, Poland), South America (Argentina, Ecuador and Costa Rica), the United States and Canada and Western, Northern and Southern Europe (Sweden, Denmark, Greece, The Netherlands, Italy, Portugal, Spain, Belgium, Germany, France, Turkey and Cyprus).

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In addition, the Company actively maintains contact with approximately 150 suppliers worldwide, through which it assesses on an on-going basis world market trends, fluctuations in prices and terms internationally available and other updating of issues relevant to its business.

The Company's management and personnel visit food trade fairs world wide on a regular basis and create new business relationships with potential suppliers on an ongoing basis.

The following table represents the percentage of purchases by the Company from suppliers who account for more than 5% of the total purchases in the years 2001, 2002 and 2003:

SUPPLIER	2003	SUPPLIER	2002	SUPPLIER	2001
Supplier A	10.8%	Supplier A	13.0%	Supplier A	12.9%
Supplier B	9.2%	Supplier B	8.3%	Supplier B	7.3%
Supplier C	7.5%	Supplier C	6.2%	Supplier C	4.8%
Supplier D	7.1%				
Supplier E	5.9%				

The Company is not dependent on any supplier for a majority of the products imported by it. In respect of certain products, however, the Company is dependent exclusively on one source of supply. Five of such products accounted, in the aggregate, for approximately, 21%, 15% and 18% of the Company's sales in the years ended December 31, 2003, 2002 and 2001, respectively.

Termination of the Company's business relationships with such suppliers and/or a material adverse change in the terms at which the Company purchases such products from such suppliers may have a material adverse effect on the Company's financial results. There can be no assurance that alternative sources for such products, if required, will be readily available nor can there be any assurance as to the terms of purchase of such products from such alternative sources.

The Company does not generally enter into written agency or other agreements with its suppliers. However, the Company has written confirmations from certain foreign suppliers, confirming the exclusive appointment of the Company as the sole agent and/or distributor of such suppliers either with respect to a specific product or, in certain cases, with respect to a line of products, within the State of Israel. These exclusivity rights have generally been granted for a period ranging between 12-36 months terminating through 2004, and in certain cases are conditional upon the Company's compliance with certain minimum purchase requirements. The suppliers from which the Company received such letters of confirmation accounted for approximately 23%, 22%, 25% and 20% of the Company's purchases in 2003, 2002, 2001 and 2000, respectively. In a few instances the Company did not fulfill its commitment to the minimum purchase requirements, but since the onset of its activities no supplier terminated its agreement with the Company due to not filling the quotas. The Company's purchases are not motivated by a desire to fulfill minimum quota requirements, and the considerations in purchasing products from these suppliers are identical to those for purchasing from other suppliers.

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In addition to such arrangements, the Company routinely varies its sources of supply and purchases depending on price levels, product quality and product availability. Sales of products for which no written agreements (or written confirmations for exclusivity rights) exist between the Company and such suppliers accounted for approximately 77%, 78%, 75% and 80% of the Company's total purchases in 2003, 2002, 2001 and 2000, respectively.

Certain of the products imported by the Company are seasonal agricultural products, such as artichokes, cherries, lychee, pears, apricots, kernel corn, mushrooms and peaches. In order to assure itself a continued supply of these seasonal items, the Company generally arranges with the manufacturers of such products at the beginning of the season for the terms of purchases of such items for the coming year.

The Company's products are packaged by various manufacturers and suppliers abroad and labeled with Hebrew, English and, in certain cases, Arabic and Russian labels, according to the Company's instructions and requirements. See "Government Regulation."

A substantial portion of the Company's purchases from suppliers is made in USD (such as purchases from the Far East, the United States, South America and certain European countries, including Greece and Turkey) with the remaining purchases usually made in Euro and other foreign currencies (e.g. Swedish Kronors). Supply is generally made against letters of credit for a period of up to 90 days. See "Item 5: "Operating And Financial Review and Prospects - Impact of Inflation and Devaluation on Results of Operations, Liabilities and Assets."

For the years ended December 31, 2003, 2002 and 2001, respectively, the Company issued orders to suppliers against letters of credit amounting in the aggregate of approximately NIS 49.7 million (USD 11.35 million), NIS 48.7 million (USD 11.1 million) and NIS 77.2 million (USD 17.6 million), respectively.

CUSTOMERS

The Company's products are marketed and sold to over 600 customers throughout Israel and in a substantially less extent to customers in the areas administered by the Palestinian Authority. The Company has occasionally sold to importers from Europe (mainly France). During 1998, the Company sold, as its first transaction in Europe and South America, respectively, one of its food products, olive oil, to importers in France and another one of its food products, canned mushrooms, to Argentina. In 2001 and 2002 the Company sold sugar cubes and pickles to France. In 2003 the Company sold tuna fish and baby corn to France.

The Company's customers generally are comprised of two major groups: i. supermarket chains in the organized market consisting of the four major supermarket chains in Israel, and ii. private supermarket chains, wholesalers and institutional customers. The Company's customers include several of the largest supermarket chains in the organized market in Israel, including: Supersol Ltd. (which also includes the Hyperneto, the Universe Food Warehouse Club, Cosmos, Machsaney Mazon, Zol Lemehadrin, Supersol, Birkat Rachel and Hutzot Lahav); Club Market Marketing Chains Ltd. (which also includes the Club Market, Hatzi Kupa, Zol Po and Jumbo); the Co-op Blue Square Cooperative Society Ltd. (which also includes the Co-op Blue Square Super Company Ltd., Zil Va'Zol, the Co-op Blue Square Hyper Company Ltd., the Supercenter, The Super Center City, King Center, Mega, Shefa Shuk and the Shefa Mehadrin) and Co-Op Jerusalem.

The Company's contracting with the supermarkets in the organized market is done through their principal executive or sales offices and buyers. The Company also distributes its products in the private supermarket chains and through a network of wholesalers and institutional consumers such as catering halls and food service companies.

The Company's sales, by customer group, for the years ended December 31, 2003, 2002, 2001 and 2000 are as follows:

	PERCENTAGE OF TOTAL SALES YEAR ENDED DECEMBER 31			
CUSTOMER GROUPS	2003	2002	2001	2000
Supermarket Chains in the organized market	42%	43%	43%	49%
Private Supermarket Chains, Wholesalers and institutional consumers and the Palestinian Authority	58%	57%	57%	51%
	100%	100%	100%	100%

For the years ended December 31, 2003, 2002 and 2001, the Company's three largest customers (all of which are supermarket chains in the organized market) constituted, in each case, in excess of 5% of the Company's sales, and together aggregated approximately 39%, 41% and 43%, respectively, of the Company's sales during such periods. The largest customer accounted for 18% of the Company's sales in 2003, compared with 27% of the Company's sales in 2002 and 19% of the Company's sales in 2001. The loss of any of these major customers could have a material adverse effect on the Company's financial condition and results of operations. The Company is seeking to expand its operations in other areas so as to reduce its dependence on any single significant customer.

The Company is under a commitment to pay incentives to certain customers in the organized market, to certain private supermarket chains and to some wholesalers in relation to the increase in volume of sales in excess of a certain agreed upon amount which varies among customers. Such incentives range from 1% to 7.5% of the annual sales of the Company to such customers. Such incentives are generally paid at the beginning of each year with respect to the previous year's sales. Such arrangements also generally include specific exclusions, such as direct or joint importing of products that are not considered for purposes of such incentives. Certain of such commitments are oral and not evidenced in written documents. For the years ended December 31, 2003, 2002 and 2001, the Company paid and/or is obligated to pay approximately NIS 3,380 thousand (USD 772 thousand), NIS 2,418 thousand (USD 552 thousand) and NIS 4,350 thousand (USD 993 thousand) respectively, in respect of such incentives.

DISTRIBUTION, MARKETING AND SALES

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

The volume of lost debts of the Company amounted in the years ended December 31, 2003, 2002 and 2001 to NIS 0 thousand (USD 0 thousand), NIS 0 thousand (USD 0 thousand) and NIS 103 thousand (USD 24 thousand) respectively.

Sales are made by the placement of customers' orders which are directed to the Company's regional office and placed by the sales personnel or directly by the customers. Orders are transferred to the Company's warehouse facilities in Yavne for preparation and delivery by the Company's transporters. In certain cases, the Company transports products directly from port to customers, utilizing the services of independent transporters.

The Company generally holds an inventory of products, which the Company believes to be sufficient to meet market requirements for a period of 80 days. The Company may, occasionally, take advantage of purchasing some inventory items; at those cases the inventory quantities may be even higher then 80 days. Products ordered in full container loads by customers are generally forwarded directly to the customers' facilities, without being stored in the Company's facilities. The Company does not regularly maintain significant backlog of orders from customers. The Company's inventory as of December 31, 2003 amounted to 18.82 million (USD 4.30 million) compared with NIS 16.31 million (USD 3.72 million) as of December 31, 2002, and NIS 20.17 million (USD 4.61 million) as of December 31, 2001.

The Company participates in various sales campaigns within the supermarket chains that are intended to stimulate sales volume. Among such campaigns are food festivals initiated by the supermarket chains and certain importers, including the Company, in which the import and marketing of products from a specific country or region are celebrated and promoted. In the years 2003, 2002 and 2001 the Company participated in various festivals, including the Mediterranean Festival, for certain products imported from Italy, The Netherlands, Turkey and Greece. Such festivals typically involve increased display space as well as enhanced promotional activities, both with respect to the festival itself and the products. Such activities are sponsored by the supermarkets in collaboration with the importers participating in the festival. The cost of the Company's participation in such activities is minimal. Within this framework, the Company imports a wide variety of products which include pastries, vegetables, jams, cheese, fish, and dairy products, as well as certain artifacts typical to the culture and/or cuisine of each specific festival.

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

COMPETITION

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

Certain of the products imported by the Company are also produced by local manufacturers in Israel, such as canned fish, edible oils, certain pickles, olives, pasta and certain dairy products. The Company believes that it may also face competition from potential new-comers to the food business, as well as from existing importers and/or manufacturers currently not involved in the same line of products as the Company.

Certain of the Company's competitors (Shemen and Milomor with respect to edible oils, Fodor and Posidon with respect to fish products, Pri HaGalil, Posidon and Yachin-Vita with respect to canned vegetable products, Tnuva and Tara with respect to dairy products, etc.) are substantially more established, have greater market recognition and have greater financial, marketing, human and other resources than those of the Company. If any of the Company's major competitors materially reduce prices, the Company would experience significantly more competitive pressure. The Company cannot predict whether it could successfully compete with these pressures and, if it were unable to do so, the Company's business would suffer.

INTELLECTUAL PROPERTY RIGHTS

The Company markets certain products under the trademark "Willi-Food," which has been approved for registration in Israel in May 1997 for certain uses relating to the food industry. The Company markets certain products under the trademark "Gold-Frost," which was registered in Israel in February 2002. There can be no assurances as to the degree of protection this registration will afford. Other products marketed by the Company under their original brand name are "Completa," "Borges," "Arla," "Lurpak," "Carapelli," "Hazer Baba" and "Flavor House." The Company imports several products for the Supersol chain under the brand name "Superclass," which is the chain's brand name. The volume of the sales of this brand name to the Super Sol chain in the years ended on December 31, 2003, 2002 and 2001 amounted to 25%, 20% and 26% of the total sales to this chain respectively.

EMPLOYEES

As of April 30, 2004, the Company, including its subsidiaries, employed a total of 60 persons, 8 of whom are in management positions, 9 of whom are in import and accounting positions, 20 of whom are involved in the Company's sales department and 23 of whom are in warehousing and transportation. This compared with 54 persons as of April 30, 2003, 6 of whom were in management positions, 12 of whom were in import and accounting positions, 17 of whom were involved in the Company's sales department and 19 of whom were employed in warehousing and transportation. On April 30, 2002 the Company, including its subsidiaries, employed a total of 53 persons, 18 of whom were in management and accounting positions, 6 of whom were in management positions, 12 of whom were in import and accounting positions, 16 of whom were involved in the Company's sales department and 19 of whom were in warehousing and transportation. Seven additional employees are engaged on an hourly basis and other employees are supplied by manpower companies on an as needed basis. See Item 6: "Directors, Senior Management and Employees." The Company believes that the working relations within the Company are satisfactory.

Israeli labor laws are applicable to all of the Company's employees as are certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists Association), by order of the Israeli Ministry of Labor. These provisions principally concern the length of the work day, minimum daily wages for professional workers, paid annual sick leave, discrimination, insurance for work-related accidents, social security, procedures for dismissing employees, determination of severance pay and other conditions of employment.

In addition, Israeli employers, including the Company, are required to provide certain escalations in wages in relation to the increase in the Israeli Consumer Price Index ("CPI"). The specific formula for such escalation varies according to agreements between the Government of Israel, the Manufacturers' Association and the Histadrut.

A general practice in Israel followed by the Company, although not legally required, is the contribution of funds on behalf of its senior employees to a fund known as "Manager's Insurance." This fund provides a combination of savings plan, insurance and severance pay benefits to participating employees, giving these employees a lump sum payment upon retirement and securing their right to receive severance pay, if legally entitled, upon termination of employment. The employee contributes an amount equal to 5%-5.5% of his wages and the Company contributes an additional 13.3%-15.8%. In addition, Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment without due cause. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute (which is similar, to some extent, to the United States Social Security Administration). The payments thereto amount to approximately 11% of wages; the employee's share being 4.5-9% (depending on the marginal level of wages) and the employer's about 5%.

GOVERNMENT REGULATION

The import, storage, distribution, marketing and labeling of food products is subject to extensive regulation and licensing by various Israeli government and municipal agencies, principally the Ministry of Health and the Ministry of Trade and Industry of the State of Israel. The Company is required to maintain its distribution processes, as well as the products imported by it, in conformity with all applicable laws and regulations. Failure to comply with such applicable laws and regulations could subject the Company to civil sanctions, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on the Company. The Company believes it complies in all material respects with the above-mentioned requirements.

In 1978 the Israeli government issued the free import decree, which exempts the import of most food products from the need to acquire a license. However, permits from the Ministry of Health and the Ministry of Agriculture are still required. Israeli government policy in favor of exposing the local market to certain imported products has directly impacted the Company's operations since, as of September 1991, certain qualitative customs duties, formerly levied on products, including those imported by the Company, have been canceled. Customs duties and charges are levied on a portion of the Company's products.

The Company is required to obtain import licenses for the import of certain food products. The Company has obtained the necessary import licenses for the products imported by it as required by the import authorities. The Company has also obtained the necessary authorization required by the Ministry of Health (Food Authority) for the import of food products to Israel.

The Company's products are packaged by various manufacturers and suppliers abroad and labeled in Hebrew, English and, in certain cases, Arabic and Russian, according to the Company's instructions and the requirements of the Israeli authorities.

Since the beginning of the Company's activities, the Company has been found to have mislabeled packages four times as a result of which the Company has paid an immaterial amount of fines.

Most of the products which the Company imports and markets are approved as Kosher by and/or under the supervision of various supervisory institutions including the Kashrut Committee of the Shearit Israel Rabbinical Court, Chug Chatam Sofer Bnei Brak, Chug Chatam Sofer Petach Tikva, the Chief Rabbinate of Israel, Achdut Israel, certain Jewish organizations administering Kashrut procedures and certificates (such as the Union of the Orthodox Jewish Congregation of America (O.U.), OK, Kof-k, Star-K, etc.) and rabbis' of local Jewish congregations abroad. Such procedures include, in certain cases, personal supervision by a Kashrut supervisor sent by such institutions to the manufacturing facilities from which the Company purchases products, who is present at the plant during the processing of the product. Under Israeli law, the Company is required to ascertain that the Kosher foodstuffs which it offers for sale bear kosher certification approved by certain authorities, such as the Chief Rabbinate of Israel, and also the name of the individual authorized to certify such product. Not all products marketed by the Company have been so certified, although they do bear certain kosher certification from other certification bodies.

C. ORGANIZATIONAL STRUCTURE

The Company has three wholly owned subsidiaries, Willi Frozen, W.P.D and Gold Frost. The only office of the Company is the Yavne, Israel office.

D. PROPERTY, PLANTS AND EQUIPMENT

The Company's principal executive offices are situated at a leased facility in the northern industrial zone of Yavne, at 3 Nahal Snir St., Israel, 35 km south of Tel-Aviv. These premises serve as the Company's logistic center for warehousing and distribution of food products. The Yavne facility is leased by the Company from Titanic Food Ltd., a private Israeli company controlled by Messrs. Joseph Williger, the Company's Chief Executive Officer and a director, and Zvi Williger, the Company's Chief Operating Officer and Chairman of the Board. The lease, which was for a period of two years expiring on January 14, 2001, was extended twice, for an additional period of two years, until January 14, 2005. The Company has the option to extend this lease for another two-year period, until January 14, 2007, with a concomitant increase in rental fees for each of such additional period.

This facility, a four-story building plus a basement, consists of approximately 5,387 square meters (approximately 48,500 square feet). The monthly rental fee (excluding VAT) for this facility is approximately USD 34,178. The rent is payable in advance on a quarterly basis. The Company believes that the terms of the above mentioned lease are no less favorable to it than could be obtained from an unaffiliated third party. The amounts paid by the Company as rental fees in the years ended December 31 2003, 2002 and 2001 were approximately NIS 1.84 million (approximately USD 0.42 million), approximately NIS 1.82 million (approximately USD 0.42 million) and approximately NIS 1.72 million (approximately USD 0.39 million), respectively. Since March 27, 2000, the Company has been operating the Yavne facility under a municipal business license as required under Israeli law. The license has been granted permanently.

The Company utilizes free warehouse services in the area of the Ashdod seaport. The Company is charged only for storage per container, i.e., there is no charge for rental while the Company does not use the warehouse services. The payment for these services for the years ended December 31, 2003, 2002 and 2001 was NIS 822 thousand (USD 188 thousand), NIS 823 thousand (USD 188 thousand) and NIS 863 thousand (USD 197 thousand), respectively.

The board of directors and the Audit Committee of the board of directors of the Company approved on March 29, 2004 an engagement with Titanic Food Ltd. regarding an eight-year lease, divided into two terms of four years each, plus two option terms of four years each on an alternative facility. According to this agreement, the Company will rent a facility from Titanic Food Ltd., which will replace the present leased facility and the need for the warehouse in Ashdod. Titanic Food Ltd. purchased an adjacent lot recently and it intends to build a one level building of approximately 6,000 square meters (approximately 54,000 square feet) with a ceiling height of 9-10 meters, which will suit the Company's presently foreseeable needs. The monthly rent costs for the first term is USD 6.66 per square meter (approximately USD 39,660) which will increase by 5% in the second four-year term and any option term thereafter. The above-mentioned monthly rent will be lower than present renting costs of the facility in Yavne plus the charges of the warehouse in Ashdod.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

OVERVIEW

The Company is engaged in the import, marketing and distribution of a broad range of food products purchased from over 100 suppliers worldwide and marketed throughout Israel, and to a much lesser extent, the areas administered by the Palestinian Authority. The products imported by the Company are marketed in Israel and sold to over 600 customers including supermarket chains in the organized market, private supermarket chains, wholesalers and institutional consumers. The Company was incorporated in Israel in January 1994 and commenced its operations in February 1994.

For the year ended December 31, 2003, each of the Company's three largest customers accounted for more than 5% (or in the aggregate approximately 39%) of the Company's sales. For the year ended December 31, 2002, each of the Company's three largest customers accounted for more than 5% (or in the aggregate approximately 41%) of the Company's sales. The loss of any of these major customers could have a material adverse effect on the Company's financial condition and results of operations.

For convenience purposes, the financial data for the years ended December 31, 2003, 2002, 2001, 2000 and 1999 has been translated into U.S. dollars using the representative exchange rate as of December 31, 2003 of NIS 4.379 = USD 1.00.

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto which appear in this Annual Report.

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

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in Israel and adapted to the generally accepted principles accepted in the United States. The use of these generally accepted principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting accounting periods presented. These estimates include assessing the collectibility of accounts receivable, and the use of recoverability of inventory. Actual results could differ from those estimates. The markets of the Company's products are characterized by intense competition and a rapid turnover of products and frequent new introductions of products, all of which may impact the future realizability of the Company's assets.

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

1. Revenue Recognition - revenue from product sales is recognized upon the shipment to the consumers, when the title and risk of loss have been transferred to the consumer, price and terms are agreed and when no significant vendor obligations exist and collection of the resulting receivable is reasonably assured. Incentive to certain customers - the Company is obligated to pay incentives to certain customers in relation to the volume of sales in excess of a certain amount. The incentive is calculated as a percentage of the annual sales to the customer. In accordance with EITF 01/9 the Company presents revenue net of such incentives. The Company grants its customers the right to return the products. A provision for customers' return is recorded for the estimated future products return, based on the Company's experience. This policy is significant because the revenue is a key component of the Company's

operations, as well as the fact that the revenue recognition determines the timing of certain expenses. Revenue results are difficult to predict and any shortfall in revenue or delay in recognizing revenue could cause the operating results to vary from quarter to quarter and may result in operating losses.

2. Inventories - are stated at the lower of cost or market value. Cost is determined by the FIFO (first in first out) method. Inventory's values and quantities review cause the Company to write down the difference between the cost and the estimated market value upon assumption about future demand and market conditions. If the inventory is determined to be undervalued, the Company may have to recognize additional operating income at the time of sale. Any significant unanticipated change in demand or expiration of product life could have a significant impact on the value of the inventory.

A. RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001
Sales	100%	100%	100%
Cost of sales	80.17%	78.47%	77.40%
Gross profit	19.83%	21.53%	22.60%
Sales and Marketing expenses	8.49%	7.78%	7.52%

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001
General and administrative expenses	6.07%	6.36%	6.80%
Operating income	5.27%	7.39%	8.28%
Financial income (expenses), net	3.16%	(0.19)%	1.35%
Income before taxes on income	8.49%	7.22%	9.63%
Taxes on income	2.10%	1.74%	3.14%
NET INCOME	6.39%	5.48%	6.49%

YEAR ENDED DECEMBER 31, 2003 COMPARED WITH YEAR ENDED DECEMBER 31, 2002

SALES. Sales for the year ended December 31, 2003, increased by approximately NIS 8.5 million (USD 1.9 million), or 6.6%, to approximately NIS 137.4 million (USD 31.4 million) from NIS 128.9 million (USD 29.4 million) for the year ended December 31, 2002. The growth of income for the year ended December 31, 2003 compared with the year ended December 31, 2002 is a result of marketing efforts taken by the Company followed by new products penetrating, that despite of real abrasion of prices in the industry, the severe economy situation, abrasion of wages and disposable income and growth in unemployment rate. The Company continued to enlarge its activities and its penetration into new fields, mainly frozen and chilled products. The products with the largest sales volume for the year ended December 31, 2003 were canned fish (22% of sales), canned vegetables (19% of sales), edible oils (16% of sales), dairy products (15% of sales), rice and pasta (8% of sales) and canned fruits (5% of sales); the products with the largest sales volume for the year ended December 31, 2002 were canned vegetables (22% of sales), canned fish (19% of sales), dairy products (11% of sales) and edible oils (9% of sales).

COST OF SALES. Cost of sales for the year ended December 31, 2003, increased by approximately NIS 9.0 million (USD 2.1 million), or 8.9%, to approximately NIS 110.2 million (USD 25.2 million) from approximately NIS 101.1 million (USD 23.1 million) for the year ended December 31, 2002. The increase in cost of sales as a percentage from the total sales for the year ended December 31, 2003 compared to the same period in 2002 reflects the fall in the price of food products due to the deepening recession in the Israeli market, including the growth in unemployment and decreased purchasing power in the Israeli market, as well as an increase in local competition.

GROSS PROFIT. The results of sales and cost of sales, as mentioned above, created a gross profit of NIS 27.2 million (USD 6.2 million), equal to 19.82% of the sales, compared to 21.53% in 2002 and 22.6% in 2001. These results are due to efficiency in the ratio between sales and cost of sales and reduction of sales prices to customers due to market conditions and competition versus the above-mentioned rise in the price of products.

The Company cannot reasonably foresee the product mix of its future sales nor the cost of future supplies. Accordingly, there can be no assurance that the above gross margin levels will be maintained in the future.

SALES AND MARKETING EXPENSES. Sales and marketing expenses for the year ended December 31, 2003 increased to approximately NIS 11.7 million (USD 2.7 million) or 8.49% of sales, from approximately NIS 10.0 million (USD 2.3 million), or 7.78% of sales, for the year ended December 31, 2002. This increase in sales in mainly attributable to improving the selling infrastructure, including increased advertising costs of approximately NIS 0.6 million, and recruiting more experienced employees and management in the sales department, resulting in increased payroll expenses of approximately NIS 0.8 million.

In the first quarter of 2004, the Company increased its advertising costs beyond historical levels to approximately NIS 1.8 million (USD 0.4 million) in an effort to promote the Company's brand name and products and to increase revenues. The Company does not yet know if this effort will have the intended result. If it does not have the intended result, there may be an adverse effect on the Company's income.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the year ended December 31, 2003 slightly increased by approximately NIS 0.1 million (USD 0.03 million) to approximately NIS 8.3 million (USD 1.9 million), or 6.07% of sales, from approximately NIS 8.2 million (USD 1.9 million), or 6.36% of sales, for the year ended December 31, 2002.

OPERATING INCOME. Operating income for the year ended December 31, 2003 decreased by approximately NIS 2.3 million (USD 0.5 million), or 24.1%, to approximately NIS 7.2 million (USD 1.7 million), or 5.27% of sales, from approximately NIS 9.5 million (USD 2.2 million), or 7.39% of sales, for the year ended December 31, 2002.

FINANCIAL INCOME (EXPENSES), NET. The financial income, net, for the year ended December 31, 2003 was approximately NIS 4.3 million (USD 1.0 million) compared with financial expenses, net, of approximately NIS 0.2 million (USD 0.05 million) for the year ended December 31, 2002. The results in 2003 were affected by an increase in value of securities and shares for trade in the Israeli and international financial markets that resulted from the investment of cash surpluses in short term investments and an adjustment of the shareholders equity due to a decrease of 1.9% in the CPI in 2003 compared with an increase of 6.4% in the previous year.

INCOME BEFORE TAXES. Income before taxes for the year ended December 31, 2003 increased by approximately NIS 2.4 million (USD 0.5 million), or 25.3%, to approximately NIS 11.7 million (USD 2.7 million) from NIS 9.3 million (USD 2.1 million) for the year ended December 31, 2002.

TAXES ON INCOME. Taxes on income for the year ended December 31, 2003 slightly increased to approximately NIS 2.9 million (USD 0.7 million) from approximately NIS 2.3 million (USD 0.5 million) in the year ended December 31, 2002.

NET INCOME. Net income for the year ended December 31, 2003 was approximately NIS 8.8 million (USD 2.0 million), or 6.39% of sales, compared with the year ended December 31, 2002 - approximately NIS 7.1 million (USD 1.6 million), equal to 5.48% of sales, and approximately NIS 8.6 million (USD 2.0 million) in the year ended December 31, 2001, equal to 6.49% of sales.

YEAR ENDED DECEMBER 31, 2002 COMPARED WITH YEAR ENDED DECEMBER 31, 2001

SALES. Sales for the year ended December 31, 2002, decreased by approximately NIS 4.15 million (USD 0.9 million), or 3.1%, to approximately NIS 128.9 million (USD 29.4 million) from NIS 133.0 million (USD 30.4 million) for the year ended December 31, 2001. This decrease in sales is mainly attributable to the financial situation of the Israeli economy through 2002 - a real decrease in food prices, widening recession, wage erosion, rising unemployment which caused a depreciation of buying power, and continuing competition among producers and importers.

COST OF SALES. Cost of sales for the year ended December 31, 2002, decreased by approximately NIS 1.8 million (USD 0.4 million), or 1.8%, to approximately NIS 101.1 million (USD 23.1 million) from approximately NIS 103.0 million (USD 23.5 million) for the year ended December 31, 2001. The decrease was mainly attributable to decreased sales during 2002 (see above) and efficiency in managing these costs in changing circumstances, including a rise in the costs of importing products due to the devaluation of the USD and Euro exchange rate to the NIS.

GROSS PROFIT. The results of sales and cost of sales, as mentioned above, created a gross profit of NIS 27.7 million (USD 6.3 million) which consists of 21.53% of the sales, compared to 22.60% in 2001 and 21.78% in 2000. These results are due to efficiency in the ratio between sales and cost of sales and reduction of sales prices to customers due to market conditions and competition versus the above-mentioned rise in the price of products.

SALES AND MARKETING EXPENSES. Sales and marketing expenses for the year ended December 31, 2002 slightly increased to approximately NIS 10.02 million (USD 2.3 million) or 7.78% of sales, from approximately NIS 10.0 million (USD 2.3 million), or 7.52% of sales, for the year ended December 31, 2001.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the year ended December 31, 2002 decreased by approximately NIS 0.9 million (USD 0.2 million) to approximately NIS 8.2 million (USD 1.9 million), or 6.36% of sales, from approximately NIS 9.1 million (USD 2.1 million), or 6.80% of sales, for the year ended December 31, 2001.

OPERATING INCOME. Operating income for the year ended December 31, 2002 decreased by approximately NIS 1.5 million (USD 0.3 million), or 13.5%, to approximately NIS 9.5 million (USD 2.2 million) from approximately NIS 11.0 million (USD 2.5 million) for the year ended December 31, 2001.

FINANCIAL INCOME (EXPENSES), NET. The financial expenses, net for the year ended December 31, 2002 was approximately NIS 0.2 million (USD 0.05 million) compared with financial income net of approximately NIS 1.8 million (USD 0.4 million) for the year ended December 31, 2001. The results in 2002 were effected by a decline in the value of securities for trade, and an erosion of equity due to an annual increase of 6.5% in the CPI compared with 1.4% in the previous year. The income in 2001 was mainly due to growth of securities and interest on deposits, arising from cash surpluses, which were invested in short term deposits and traded securities.

INCOME BEFORE TAXES. Income before taxes for the year ended December 31, 2002 decreased by approximately NIS 3.5 million (USD 0.8 million), or 27.3%, to approximately NIS 9.3 million (USD 2.1 million) from NIS 12.8 million (USD 2.9 million) for the year ended December 31, 2001.

TAXES ON INCOME. Taxes on income for the year ended December 31, 2002 decreased to approximately NIS 2.2 million (USD 0.5 million) from approximately NIS 4.2 million (USD 1.0 million) in the year ended December 31, 2001.

NET INCOME. Net income for the year ended December 31, 2002 was approximately NIS 7.1 million (USD 1.6 million), or 5.48% of sales, compared with the year ended December 31, 2001 - approximately NIS 8.6 million (USD 2.0 million), equal to 6.49% of sales.

B. LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company's operations have been funded through cash flows from operating activities, short-term indebtedness provided by Israeli banks and loans from Willifood Investments Ltd., its controlling shareholder. The Company's bank indebtedness is secured by certain liens on its share capital, goodwill and certain other assets.

For the year ended December 31, 2003, cash and cash equivalents decreased from approximately NIS 27.2 million (USD 6.2 million) to approximately NIS 12.5 million (USD 2.8 million). During that year, marketable securities increased from NIS 21.1 million (USD 4.8 million) to NIS 42.3 million (USD 9.7 million). For the year ended December 31, 2002 cash and cash equivalents increased from approximately NIS 25.8 million (USD 5.9 million) to approximately NIS 27.2 million (USD 6.2 million).

For the year ended December 31, 2003, the Company generated a positive cash flow from operating activities of approximately NIS 5.4 million (USD 1.2 million), primarily as a result of net income of approximately NIS 8.8 million

(USD 2.0 million). For the year ended December 31, 2002, the Company generated a positive cash flow from operating activities of approximately NIS 9.2 million (USD 2.1 million) primarily as a result of net income of NIS 7.1 million (USD 1.6 million). For the year ended December 31, 2001, the Company generated a positive cash flow from operating activities of approximately NIS 9.0 million (USD 2.1 million).

During the year ended December 31, 2003, the Company utilized NIS 19.1 million (USD 4.4 million) for investing activities, mainly for the purchase of marketable securities amounting to NIS 17.6 million (USD 4.0 million) and purchase of equipment (mainly motor vehicles) for NIS 2.0 million (USD 0.46 million). During the year ended December 31, 2002, the Company utilized approximately NIS 6.6 million (USD 1.5 million) for investing activities, mainly due to purchase of marketable securities amounting to NIS 5.8 million (USD 1.3 million) and purchase of property and equipment amounting to NIS 1.1 million (USD 0.25 million). During the year ended December 31, 2001, the Company utilized approximately NIS 14.1 million (USD 3.2 million) from investing activities, mainly for the purchase of marketable securities amounting to NIS 12.6 million (USD 2.9 million) and the purchase of property and equipment for NIS 1.1 million (USD 0.25 million).

During the year ended December 31, 2003, the Company utilized cash flow from financing activities of NIS 1.0 million (USD 0.24 million) - mostly short term bank credit. During the year ended December 31, 2002 the Company utilized cash flow from financing activities of NIS 1.1 million (USD 0.26 million). In the year ended December 31, 2001 the Company generated NIS 2.3 million (USD 0.51 million) from financing activities.

The Company's cash requirements, net, during the years ended December 31, 2003 and 2002 were met primarily through its working capital. In the year 2003, the Company made due with short-term credit of NIS 0.04 million (USD 0.001 million). In 2002, the Company made due with short-term credit of NIS 1.1 million (USD 0.24 million).

As of December 31, 2003, the Company had working capital of approximately NIS 83.9 million (USD 19.1 million) compared with NIS 75.7 million (USD 17.3 million) as of December 31, 2002.

The Company's trade receivables increased to NIS 29.7 million (USD 6.8 million) as of December 31, 2003 from NIS 24.1 million (USD 5.5 million) as of December 31, 2002. The days revenues outstanding were 78 as of December 31, 2003 compared to 68 as of December 31, 2002, and 65 as of December 31, 2001. The Company believes that its present working capital is sufficient for the Company's present requirements.

IMPACT OF INFLATION AND DEVALUATION ON RESULTS OF OPERATIONS, LIABILITIES AND ASSETS

The rate of inflation in Israel during the past five years has been significantly reduced compared to the situation of the Israeli economy before that. The rate of devaluation which was low until 2002, has increased and the representative rate of the dollar reached NIS 4.379 on December 31, 2003, compared with NIS 4.737 on December 31, 2002, and 4.416 on December 31, 2001. The representative rate of the dollar on May 31, 2004 was NIS 4.555.

The annual rates of inflation during the years ended December 31, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002 and 2003 were approximately 8.1%, 10.6%, 7.0%, 8.6%, 1.3%, 0%, 1.4%, 6.5% and (1.9%), respectively, while during such periods Israel effected devaluation of the NIS against the U.S. Dollar of approximately 3.9%, 3.7%, 8.7%, 17.65%, (0.2%), (2.7%), 9.3% 7.3% and (7.6%), respectively. During each of the years ended December 31, 1995, 1996, 1999, 2000 and 2003, the rate of inflation in Israel exceeded the rate of devaluation of the NIS against the dollar, while during each of the years ended December 31, 1997, 1998, 2001 and 2002 the rate of devaluation of the NIS against the dollar exceeded the rate of inflation in Israel.

A devaluation of the NIS in relation to the dollar will have the effect of decreasing the dollar value of any assets of the Company which consist of NIS or receivables payable in NIS. Such a devaluation would also have the effect of reducing the dollar amount of any liabilities of the Company which are payable in NIS (unless such payables are linked to the dollar). Conversely, any increase in the value of the NIS in relation to the dollar will have the effect of increasing the dollar value of any linked assets of the Company and the dollar amount of any linked NIS liabilities of the Company. The representative rate on December 31, 2003 was 4.379 per USD 1.00, equal to a revaluation of 7.6% from the representative rate on December 31, 2002 which was NIS 4.737 per USD 1.00. The representative rate on December 31, 2002 was NIS 4.737 per USD 1.00, equal to a devaluation of 7.3% from the representative rate at December 31, 2001 which was 4.416 per USD 1.00. The representative rate on December 31, 2001 was NIS 4.416 per USD 1.00, equal to a devaluation of 9.3% from the representative rate at December 31, 2000 which was 4.041 per USD 1.00. The representative rate on December 31, 2000 was NIS 4.041 per USD 1.00, equal to a revaluation of 2.7% from the representative rate at December 31, 1999 which was 4.153 per USD 1.00.

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

The Company's assets are not linked to the Israeli CPI or the US dollar. However, some of the Company's liabilities are linked to the Israeli CPI and various foreign currencies. Consequently, inflation in Israel and currency fluctuations will have a negative effect on the value to the Company of payments the Company receives in NIS and on the Company's liabilities linked to foreign currencies.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Not applicable.

D. TREND INFORMATION

During the past two years, there has been an increase in the number of small private supermarket stores that have opened in Israel, which has resulted in greater price competition in the stores and in our business. The increased price competition has resulted in an increase in our cost of sales as a percentage of total sales and a decrease in our gross profit in 2003 from 2002.

According to announcements published in the Israeli press, the yearly retail Israeli food market consists of approximately NIS 34,700 million (approximately USD 7,924 million), of which approximately 47% consists of sales of supermarket chains in the organized market, 23% consists of sales of private supermarket chains and 30% is attributable to others.

E. OFF-BALANCE SHEET ARRANGEMENTS

Not applicable.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table of the Company's material contractual obligations as of December 31, 2003, summarizes the aggregate effect that these obligations are expected to have on our cash flows in the periods indicated:

	Payments due by period				
Contractual Obligations	Total	less than 1 year	2-3 years	4-5 years	More than 5
			(in thousands)		
Property Leases........	NIS 5,644 (USD 1,289)	NIS 1,795 (USD 410)	NIS 3,849 (USD 879)	--	--
Open purchase orders...	NIS 17,089 (USD 3,902)	NIS 17,089 (USD 3,902)	--	--	--
Operating Leases.......	--	--	--	--	--
Total..................	NIS 22,733 (USD 5,191)	NIS 18,884 (USD 4,312)	NIS 3,849 (USD 879)	--	--

G. FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events, based on certain assumptions and information currently available to management, all of which are subject to certain risks and uncertainties including, among others, the Company's ability to develop and introduce new products, any significant deterioration in the Company's relationship with its key customers and suppliers, the Company's ability to successfully integrate the operations of the Company's subsidiaries with those of the Company, fluctuations in key currency exchange rates, changes in the political and economic conditions in Israel, and other factors which may be beyond the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results of operations may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The directors, executive officers and key employees of the Company are as follows:

NAME	AGE	POSITION WITH THE COMPANY

Joseph Williger	47	Chief Executive Officer and Director
Zvi Williger	49	Chief Operating Officer and Chairman of the Board
Rachel Bar-Ilan(1)	46	Director
L. Marc Zell(1)*	51	External Director
Shai Bazak(1)	36	External Director
Gil Hochboim	34	Chief Financial Officer

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

* will be replaced by Mr. David Weiss in August 2004 after the approval of the general meeting of the shareholders

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

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

JOSEPH WILLIGER has served as the Chief Executive Officer (or general manager) and a Director of the Company since its inception in January 1994. Prior to January 1997, Mr. Williger provided management services to the Company through Titanic Foods Ltd., a company he owns ("Titanic") and of which he has served as Director since April 1990. He has also served as a director of the Company's subsidiaries, Willi Frozen, W.F.D. and Gold Frost, since September 1996, November 1996 and April 2001, respectively. Mr. Williger has also served as a director and as chairman of the Board of Willifood Investments, the controlling shareholder of the Company, since December 1992 and June 1994, respectively. From March 1992 until May 1993, Mr. Williger served as a joint manager of Williger Ltd., an Israeli public company involved at the time in the food business, and of D.S.P. Limited, an Israeli company that imports, markets and distributes food products in Israel. Mr. Williger received his academic education in economics from Bar Ilan University in Israel in 1983. Mr. Williger is the brother of Zvi Williger, Chief Operating Officer and Chairman of the Board of Directors of the Company.

ZVI WILLIGER has served as the Chief Operating Officer and Chairman of the Company since January 1997, and from inception of the Company to January 1997 as a Director and Manager of Marketing Development of the Company. Prior thereto, he provided management services to the Company through Zvi Israel and Co. Limited, a company he owns ("Zvi Israel"). Mr. Williger has also served as a director of the Company's subsidiaries, Willi Frozen, W.F.D. and Gold Frost, since September 1996, November 1996 and April 2001, respectively. Mr. Williger has also served as a director of Willifood Investments since December 1992. From March 1992 to March 1993, Mr. Williger served as a joint manager of Williger Ltd. and D.S.P. Limited. Mr. Williger attended Fresno University in California. Zvi Williger is the brother of Joseph Williger, Chief Executive Officer and a director of the Company.

RACHEL BAR-ILAN has served as Director of the Company since May 2001. Since 1999, Ms. Bar-Ilan managed the marketing and application of medical laboratory instrumentation in medical laboratories of Medtechnica, a company publicly traded on the Tel Aviv Stock Exchange. From 1994 to 1999, Ms. Bar-Ilan has worked for Egentec Ltd., where she has been in charge of the marketing and application of medical instrumentation in the chemical field. Ms. Bar Ilan received her degree in Medical Science (MSc) from the Technion - Israel Institute of Technology in Haifa, Israel.

L. MARC ZELL has served as Director of the Company since June 1996 and as an External Director since May 2001. Mr. Zell has been a member of the Washington D.C. law firm of Feith & Zell, P.C., and its Israeli offices of Zell, Goldberg & Co. since 1999. From 1991 to 1999, Mr. Zell was a member of the law firm of Balter, Got Aloni & Co. Since 1991, he has served as special counsel to the Government of the United States, and as special counsel to the International Monetary Fund on East Jerusalem. Mr. Zell received his BA in Germanic Languages and Literature from Princeton University and his Juris Doctor from the University of Maryland School of Law. Mr. Zell terminated his office in May 2004.

SHAI BAZAK has served as an external director since July 2003 and carries an MA Public Administration. He is a director manager of C.P.M. Israel Investment Company Ltd., an investment company. From 1998 through 2000 he served as the Consul General of Israel to Florida and Puerto Rico. From 1996 through 1998 he was spokesperson and media affairs advisor to the Prime Minister of Israel, Mr. Benjamin Netanyahu. From 1994 through 1996 he was the spokesperson and media advisor to the Likud party chairman.

GIL HOCHBOIM has served as Chief Financial Officer of the Company since August 2000. Mr. Hochboim also provides the Company's principle shareholder, Willifood Investments Ltd., with certain financial services. Between April 1995 and February 1998, Mr. Hochboim served as Deputy Comptroller of Dan Hotels Corp. Ltd. between March 1998 and August 2000, he served as deputy manager of Ha'menia Goods Transport Corp. Ltd. Mr. Hochboim is a certified public accountant (Israel). He received his BA in Accounting and Business Management from the College of Management, Tel-Aviv, Israel.

The Company intends to appoint Mr. David Weiss as an External Director, as a member of the Audit Committee and an "audit committee financial expert" as defined by the rules and regulations of the U.S. Securities and Exchange Commission. Mr. Weiss is a Certified Internal Auditor from the Institute of Internal Auditors (New York) and has served as the General Manager of Retail Initiation Forum Ltd. Since 2002, and also as an external director and chairman of the Audit Committee of Kish Air Conditioning Ltd - an Israeli Company traded on the Tel Aviv Stock Exchange. From 1989 through 2002, he served as vice president of administration for Club Market Marketing Chains Ltd., a large Israeli supermarket chain. Between 1981 and 1989 he served as deputy internal auditor at Solel Bone Ltd., an Israeli construction company, and between 1970 and 1981 he served in the Israeli port authorities as an internal auditor. Mr. Weiss has also served in the past as a director of Co-Op Tzafon, New-Farm Ltd., Hamashbir Mazon Ltd., Hamashbir Latcharcan Ltd. and April Ltd., Israeli companies engaged in selling food, cloths and pharmaceuticals to the end-user. Mr. Weiss received his BA in Accounting from Haifa University, Israel.

B. COMPENSATION

COMPENSATION OF DIRECTORS AND OFFICERS

The aggregate direct compensation paid by the Company to its directors and officers as a group for the fiscal year 2003 was approximately NIS 2.7 million (USD 0.61 million), excluding bonuses in an aggregate amount of approximately NIS 1.2 million (USD 0.27 million) paid to Messrs. Joseph and Zvi Williger, but including payments made to non-executive directors as mentioned below.

Payments to non-executive directors in the aggregate amount of approximately NIS 56 thousand (USD 13 thousand) were made for the fiscal year 2003. In 2002, payments to non-executive directors in the aggregate amount of approximately NIS 45.5 thousand (USD 10.4 thousand) were made.

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

See also Item 7, "Major Shareholders and Related Party Transactions - Related Party Transactions."

MANAGEMENT SERVICE AGREEMENTS

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

The Management Services Agreements were for a period of four years commencing on June 1, 1998 (the "Management Services Period"), were automatically renewed on June 1, 2002 for two years and were automatically renewed for an additional period of two years in June 2004. The Company had the ability to terminate the Management Services Agreements only upon 6 months notice prior to the end of the Management Services Period or any extension thereof, as the case may be. In the event the Company would have terminated any of the Management Services Agreements prior to the expiration of the Management Services Period or any extension thereof, for any reason whatsoever, it would have been obligated to pay all amounts due under the respective Management Services Agreements through the expiration of the Management Services Period or any extension thereof, as the case may be.

Each of the Management Services Agreements provides for monthly services fees equal to USD 24,500 (excluding VAT) and an annual bonus at a rate of 3% of the Company's pre-tax annual profits, if such profits are equal to or less than NIS 3.0 million (approximately USD 0.68 million), or at a rate of 5% if such profits exceed such level. In the year ended December 31, 2003, the Company paid an amount of NIS 3.8 million (approximately USD 0.87 million) pursuant to the Management Services Agreements. The Management Services Agreements further provide that benefits in general, including the social benefits of Messrs. Joseph or Zvi Williger, and income tax payments, national insurance payments and other payments due by employees in respect of their employment, are to be paid for at the sole expense of the Williger Companies. The Williger Companies have undertaken to indemnify the Company with respect to any claims against the Company with respect to employer/employee relations. In addition, each of the Management Services Agreements includes confidentiality and non-competition provisions for the duration of the Management Services

Period.

In August 2000, the Company entered into an employment agreement with Mr. Gil Hochboim, pursuant to which Mr. Hochboim has agreed to serve as the Chief Financial Officer of the Company. The agreement provides for a monthly salary of NIS 22,000 (approximately USD 5,024). In addition to this salary, Mr. Hochboim also receives the benefits customarily provided by the Company to its senior employees, including the use of a vehicle.

ALLOCATION OF MANAGEMENT TIME AND INTERESTS

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

On March 31, 2003, the board of directors of the Company authorized Willifood Investments Ltd. to participate in an import license lottery, provided that Willifood Investments Ltd. agrees that if it wins an import license it will: (i) coordinate with the Company the items of merchandise to be imported using the import license; (ii) in consideration for the transfer of the merchandise that is imported using the import license, the Company will sell the merchandise, retaining 20% of the selling price for itself and transferring the balance, if any, to Willifood Investments Ltd. In 2003, the amount retained by the Company pursuant to this arrangement was NIS 4.2 thousand (USD 1.0 thousand). The board of directors of the Company determined that this arrangement is not an extraordinary transaction.

Mr. Joseph Williger serves as the chairman of the Board of Directors of Willifood Investments Ltd. and Mr. Zvi Williger serves as a director and a general manager of Willifood Investments Ltd. Messrs. Joseph and Zvi Williger own, through companies under their control, approximately 20% and 45% of Willifood Investments Ltd., respectively. Willifood Investments Ltd. is the controlling shareholder of the Company. See "Item 7: Major Shareholders and Related Party Transactions."

SERVICES TO WILLIFOOD INVESTMENTS LTD.

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

The Company also agreed to provide Willifood Investments Ltd. with accounting and secretarial services. In consideration for the use of the Company's facilities and such other services, Willifood Investments Ltd. agreed to pay the Company a monthly fee equal to NIS 5,287 (USD 1,207), plus VAT. This fee is payable quarterly and is linked to the Israeli CPI. The agreement is for an unlimited term, mutually terminable upon three months prior notice. The Company believes that the fees for these services and the terms of such agreement are no less favorable to it than could be obtained from an unaffiliated third party.

C. BOARD PRACTICES

TERMS OF OFFICE

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

ALTERNATE DIRECTORS

The Articles of Association of the Company provide that any director may, by written notice to the Company, appoint another person to serve as an alternate director. Under the Israeli Companies Law - 1999 ("Companies Law") which, effective as of February 1, 2000, replaced the Companies Ordinance (New Version), 1983 (other than certain specific sections thereof), the directors of the Company can not appoint an incumbent director or an incumbent alternate director as an alternate director. The term of appointment of an alternate director may be for a specified period, or until notice is given of the termination of the specified period or of the appointment. To the Company's knowledge, no director currently intends to appoint any other person as an alternate director, except if the director is unable to attend a meeting of the board.

AUDIT COMMITTEE

NASDAQ REQUIREMENTS

The Company's ordinary shares are listed for quotation on the Nasdaq Small Cap Market and we are subject to the rules of the Nasdaq SmallCap Market applicable to listed companies. Under the current Nasdaq rules, applicable to the Company in July 2005, a listed company is required to have an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise. Rachel Bar-Ilan and Shai Bazak qualify as independent directors under the current Nasdaq requirements, and are members of the Audit Committee. L. Marc Zell served as a third independent director until May 2004. In August 2004, at the general meeting of the shareholders, the shareholders will be asked to appoint David Weiss as an independent director to the board of directors and to the Audit Committee. The Company is a "Controlled Company" within the meaning of the Nasdaq rules since more than 50% of its voting power is held by Willifood Investments. As a Controlled Company, the Company is exempt from certain Nasdaq independence requirements such as the requirement that a majority of the board be independent and the rules relating to independence of directors approving nominations and executive compensation.

The Audit Committee of the board of directors assists the board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices and financial statements and the independence qualifications and performance of our independent auditors. The Audit Committee also has the authority and responsibility to oversee our independent auditors, to recommend for shareholder approval the appointment and, where appropriate, replacement of our independent auditors and to pre-approve audit engagement fees and all permitted non-audit services and fees.

EXTERNAL DIRECTORS UNDER ISRAELI LAWS

Under the Companies Law, Israeli companies whose securities are publicly traded are required to appoint at least two External Directors (the "External Directors") elected at a general meeting of a company's shareholders by a prescribed majority intended to allow non-affiliates to influence such election. The election of an External Director requires either a simple majority of a company's shareholders attending and voting at the General Meeting, which majority includes at least one-third of the Non-Controlling Shareholders present and voting or that the votes against any External Director are less than 1% of the total voting rights in the Company. A "Controlling Shareholder" is defined in the Companies Law as a shareholder with the ability to control the actions of the company, whether by majority ownership or otherwise, and for the purpose of transactions with related parties, it may include a shareholder who holds at least 25% of the voting rights in the Company, provided that there is no other person who holds shares that have 50% or more of the voting rights in the Company.

Under the Companies Regulations (Relief for Public Companies whose Shares are Registered for Trade Outside of Israel) 5760 - 2000 (the "Relief Regulations"), the board of directors of a public company whose shares are registered for trade outside of Israel (hereinafter a "Foreign Traded Company") may resolve that a director who has been appointed before the effectiveness of the Companies Law and who complies with certain standards of independence shall act as External Director of the company.

The Companies Law details certain standards for the independence of External Directors. They must be unaffiliated with the company on whose board they serve and such company's principals. According to the Companies Law, the External Directors must be residents of Israel; however according to the Relief Regulations, such requirement does not apply to a Foreign Traded company. If all members of the board of directors of a company are of the same sex, such company must appoint at least one External Director of the opposite sex. The External Directors are entitled to obtain all information relating to such company's management and assets and to receive assistance, in special cases, from outside experts at the expense of the company. The law imposes an obligation on these directors to act to convene a meeting of a company's board of directors upon becoming aware of matters that suggest infringements of law, neglect of good business practice or conduct by an Office Holder which may result in a breach of duty of such Office Holder. An "Office Holder" is defined in the Companies Law as a director, managing director, chief business manager, executive vice president, vice president, other manager directly subordinate to the managing director and any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title.

An External Director shall be appointed for a period of three consecutive years and may be re-appointed for one additional three-year period only. Under the Companies Law, any committee of the board of directors to which the board of directors has delegated its powers in whole or in part, must include at least one External Director, and the audit committee must include all the External Directors.

On May 5, 2001 the Company's Board of Directors resolved, in accordance with the Relief Regulations, that Messrs. Doron Rubin and L. Mark Zell shall act as External Directors of the Company from that date for a three-year period. As of August 2002 Mr. Doron Rubin no longer served as a director of the Company. The Company appointed Mr. Shai Bazak as an External Director in July 2003. In May 2004, Mr. L. Marc Zell terminated his office. The Company intends to appoint Mr. David Weiss as an External Director, as a member of the Audit Committee and an "audit committee financial expert" in August 2004.

Under the Companies Law, Israeli companies whose securities are publicly traded are also required to appoint an internal auditor, in accordance with the proposal of the audit committee. The role of the internal controller is to examine, INTER ALIA, whether the Company's actions comply with the law, integrity and orderly business procedures. In November 1997, the Board of Directors of the Company, in accordance with the proposal of the Company's audit committee, appointed Mr. Joshua Freund as internal auditor of the Company.

APPROVAL OF CERTAIN TRANSACTIONS UNDER THE COMPANIES LAW

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

The Companies Law requires disclosure by an Office Holder or by the Controlling Shareholders of the Company to the Company in the event that an Office Holder has a direct or indirect personal interest in transactions to which the company intends to be a party.

The Companies Law requires that certain transactions, actions and arrangements be approved, in certain cases, by the audit committee of a company's board of directors, whose members meet certain criteria of independence as defined in the Companies Law and by the board of directors itself. In certain circumstances, approval of the General Meeting of the Company's Shareholders is also required. All of the External Directors must serve on the audit committee. The vote required by the audit committee and the board of directors for approval of such matters, in each case, is a majority of the disinterested directors participating in a duly convened meeting.

Approval by the audit committee and/or the board is required for such matters as: (i) certain transactions to which the company intends to be a party and in which an Office Holder, a controlling shareholder and/or certain other parties (including affiliates of the aforementioned) have a direct or indirect personal interest, (ii) actions or arrangements which could otherwise be deemed to constitute a breach by an Office Holder of his or her fiduciary duty to the company, (iii) arrangements with directors as to the term of their service, (iv) indemnification and/or insurance of Office Holders and/or holding such Office Holders harmless, and (v) certain transactions defined in the Companies Law as extraordinary transactions (a transaction which is not in the ordinary course of business or is not at market conditions, or a transaction which is likely to have a material impact on the profitability, property or obligations of the company).

Arrangements with directors regarding their service (including their indemnification and/or insurance), extraordinary transactions between a public company and controlling shareholders, a private placement to a principal shareholder (a holder of 5% or more of a company's issued share capital or voting rights) or due to which a shareholder will become a principal shareholder and, in certain circumstances, the matters enumerated above, may also require the Audit Committee and/or the Board shareholder approval.

Directors with respect to whom the foregoing matters are brought for Board or Audit Committee approval are not entitled to be present during discussions of, nor to participate in the vote for approval of, such matters at Board and/or Audit Committee meetings, unless a majority of Audit Committee or

Board members, as the case may be, have a personal interest in such matter or the matter involves non-extraordinary transactions between the company and either a Director or a third party in which a Director has a personal interest. The Companies Law further provides that in the event that a majority of board members have a personal interest in such a matter, it also requires shareholder approval.

D. EMPLOYEES

For information regarding the Company's employees see "Item 4--Employees."

E. SHARE OWNERSHIP

For information regarding the share ownership of directors and officers of the Company see "Item 7."

OPTIONS

As of May 31, 2004, there are no outstanding options to purchase ordinary shares.

EMPLOYEE SHARE OPTION PLAN

In May 1997, the Board of Directors of the Company adopted an employee share option plan ("the 1996 Plan"), pursuant to which the Company granted options to purchase 180,000 ordinary shares to employees, officers, directors and consultants of the Company and the subsidiary (including 160,000 options to related parties).

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

Options to purchase 35,000 ordinary shares were held by the Company's officers and directors (as a group) and options to purchase 15,000 ordinary shares were held by other employees. The options, granted as of the effective date of the Company's initial public offering under the Company's 1996 Share Option Plan, are generally exercisable during a five-year period commencing on the 24th anniversary from the date of grant, at an exercise price equal to the initial public offering price per share - USD 4.10 per share, which is equal to the fair market value of the shares on the date of the grant. On April 2003, Zvi Williger and Joseph Williger exercised 15,000 options each at an exercise price of USD 4.1 per share. The 1996 Plan was terminated on May 2004, and the remaining 20,000 options expired.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth, as of May 31, 2004, the number of ordinary shares beneficially owned by (i) each shareholder known to the Company to own more than 10% of the ordinary shares and (ii) all directors and officers as a group:

NAME AND ADDRESS	NUMBER OF ORDINARY SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES
Willifood Investments Ltd. (1)	3,368,210 (3)	78.19%
Joseph Williger (1)	3,391,581 (2)(3)(4)	78.74%
Zvi Williger (1)	3,383,210 (2)(3)(4)	78.54%
All directors and officers as a group (4 persons)	3,406,581 (2)(3)(4)	79.08%
BMI Capital Corporation (5)	460,275 (5)	10.69%

(1) Willifood Investments Ltd.'s securities are traded on the Tel Aviv Stock Exchange. The principal executive offices of Willifood Investments Ltd. are situated at 3 Nahal Snir St., Northern Industrial Zone, Yavne, 81224 Israel. The business address of each of Messrs. Joseph and Zvi Williger is c/o the Company, 3 Nahal Snir St., Northern Industrial Zone, Yavne, 81224 Israel.

(2) Includes 3,368,210 ordinary shares owned by Willifood Investments Ltd. Messrs. Zvi and Joseph Williger serve as directors and executive officers of the Company. Under Israeli law, Mr. Zvi Williger is deemed to be the controlling shareholder of Willifood Investments Ltd. and has the ability to control the Company's management and policies, including matters requiring shareholders approval such as election of directors. Under Israeli law, Mr. Joseph Williger, who owns approximately 20% of the ordinary shares of the Company, is not deemed to be a group with Mr. Zvi Williger or a controlling shareholder of the Company.

(3) In connection with Willifood Investments Ltd.'s second public offering on the Tel Aviv Stock Exchange in October 1997, 1,700,000 of the ordinary shares of the Company held by Willifood Investments Ltd. have been pledged in favor of The Trust Company of the Invested Bank (Israel) as collateral to secure Willifood Investments Ltd.'s obligations and indebtedness to holders of its approximately 10.4 million debentures, which are publicly traded on the Tel Aviv Stock Exchange. These debentures had an aggregate principal amount of NIS 12.2 million (approximately USD 2.8 million) at December 31, 2003.

(4) Includes 30,000 ordinary shares issued upon the exercise of options on April 2004, granted to each of Messrs. Joseph (15,000) and Zvi (15,000) Williger.

(5) On January 21, 2004, BMI Capital Corporation of 570 Lexington Ave. NY, USA, 10022 announced by filling Form 13G holding 460,275 Shares of the company.

All of the shareholders of the Company have the same number of votes for each ordinary share held. Of the ordinary shares outstanding, the Company believes that approximately 10.23% (440,644 ordinary shares) are held in the United States of America by approximately 17 holders of record as of June 2, 2004.

B. RELATED PARTY TRANSACTIONS

In April 1997, the Company entered into employment agreements with each of Mr. Zvi Williger and Mr. Joseph Williger (related parties), pursuant to which Mr. Zvi Williger agrees to serve as Chairman of the Board of Directors and Chief Operating Officer of the Company and Mr. Joseph Williger agrees to serve as a director and Chief Executive Officer of the Company. Pursuant to the agreements, each of the above-mentioned related parties shall devote the substantial portion of his time to his work in the Company.

The employment agreements were for a period of four years commencing April 1997, and are automatically renewed in April 2001 for an additional two years and are automatically renewable for additional terms of two years each unless either party notifies the other, six months prior to the expiration of the employment period, of his intention not to renew the agreement. If the Company terminates the agreements prior to the expiration of the employment period, it was required to pay to each of the above-mentioned related parties all amounts due to it under the agreements through the end of the employment period.

The employment agreements provide for each of the above-mentioned related parties monthly remuneration, in NIS, equal to USD 17,500 and an annual bonus for the 1997 fiscal year and thereafter of 3% of the Company's pre-tax annual profits (if such profits are equal to or less then NIS 3 million, approximately USD 0.6 million), or 5% (if such profits exceed this level). The agreements also provide for managers' insurance, paid annual vacation, paid annual sick leave, social security, study fund, the use of a motor vehicle and reimbursement of expenses. In addition, the agreements include confidentiality undertakings and non-competition provisions.

In June 1998 the Company entered into management service agreements with the above-mentioned related parties through companies they own ("management companies"). These agreements replaced the agreements entered into in April 1997. The agreements are for a period of four years commencing June 1998, were renewed in June 2002 for two years and were automatically renewed in June 2004 for an additional period of two years. The management fees are USD 24,500 a month to each of the management companies. In addition, according to the agreements, each of the management companies is entitled to an annual bonus as provided in the employment agreements for the year 1998 and thereafter, as described above.

On April 1, 1997, the Company entered into an agreement with Willifood Investments Ltd., its parent company controlled by Mr. Zvi Williger, pursuant to which the Company may lease office facilities and provide administrative services to its parent Company for a monthly charge of NIS 5,287 (USD 1,207) from June 1997 linked to the Israeli CPI of June 1997. See Item 6 "Directors, Senior Management and Employees - Compensation of Directors and Officers" and "Management Services Agreements."

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C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

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

DIVIDEND POLICY

The Company has never declared or paid cash dividends on its ordinary shares, and does not currently anticipate paying cash dividends in the foreseeable future. The Company intends to retain future earnings, if any, to finance its operations and expansion strategy. However, if such be declared, nonresidents of Israel who have purchased ordinary shares of the Company will be able to receive dividends and any amounts payable upon the dissolution, liquidation or winding up of the affairs of the Company, as well as the proceeds of any sale in Israel of the ordinary shares to an Israeli resident, freely repatriable in certain non-Israeli currencies (including dollars) at the rate of exchange prevailing at the time of conversion, pursuant to a general permit issued by the Controller of Foreign Currency at the Bank of Israel under the Currency Control Law, 1978, as amended in May 1998, provided that Israeli income tax had been paid on such amounts by the Company.

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

GUARANTEES AND PLEDGES

The Company guarantees, without limitation as to amount and for an unlimited period of time, 50% of the obligations of its wholly-owned subsidiary, Willi Frozen, both to Bank Leumi Le'Israel Ltd. and to the United Mizrahi Bank Ltd. As of December 31, 2003, Willi Frozen (previously Fanny Food Importing and Distribution (1996) Limited) had no obligations to such banks.

The Company also guarantees, without limitation as to amount and for an unlimited period of time, the obligations of its wholly-owned subsidiary, W.F.D., to the United Mizrahi Bank Ltd. As of December 31, 2003, W.F.D. had no obligations to United Mizrahi Bank Ltd.

The Company also guarantees, without limitation as to amount and for an unlimited period of time, the obligations of its wholly-owned subsidiary, Gold Frost, both to bank Leumi Le'Israel Ltd. And to the United Mizrahi Bank Ltd. As of December 31, 2003, Gold Frost had no obligations to such banks.

Pursuant to a debenture issued to each of Bank Le'umi Le'Israel, Bank Mizrahi Ltd. and Bank Hapoalim Ltd., the Company has pledged all of its assets (including its outstanding share capital and good will of the Company) in favor of such banks to secure its obligations or those obligations incurred by the Company jointly with third parties, including obligations with respect to letters of credit with the Company's suppliers. Bank Le'umi Le'Israel, Bank Mizrahi Ltd. and Bank Hapoalim Ltd. have agreed among them that the pledges subject to such debentures shall rank PARI PASSU.

The Company's executive offices are leased from affiliated parties on terms no less favorable to it than could be obtained from an unaffiliated third party. See Item 4: "Information on the Company."

B. SIGNIFICANT CHANGES

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

LEGAL PROCEEDINGS

A supplier has filed claims against the Company for NIS 98 thousand (approximately USD 22 thousand). The Company has submitted a defense and counter claims totaling NIS 35 thousand (approximately USD 8 thousand). In the opinion of the Company and its legal advisors, it is not possible at this point to estimate the outcome of the claims and the counter claims. Accordingly, no provision was made therefor in the financial statements.

In January 2004 a suit against the Company and many of the major food companies in Israel (29 defendants in total) for NIS 1,000,000,000 (USD 228,362,000) was filed in district court with a plea for exemption of court fees. The Company has been advised by counsel that such an exemption is not likely to be granted. According to Israeli law, no claim can be heard until such time as the relevant court fees have been duly paid or until the court has exempted the claimant from the requirement to pay such fees.

There are several other suits against the Company, however their sums are immaterial even if the plaintiffs win the suits.

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

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

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

The Company's ordinary shares have been traded in the Nasdaq Stock Market (small Cap) under the symbol WILCF since May 19, 1997. The warrants that were issued as part of the Company's' initial public offering in May 1997 expired in May 2000.

The following table sets forth for the periods indicated the closing representative high and low bid quotations of the Company's ordinary shares as reported by Nasdaq. The bid quotations are expressed in United States dollars and are not adjusted for retail mark-up, mark-down or commissions and do not necessarily represent actual transactions.

CALENDAR PERIOD	ORDINARY SHARES	
	HIGH	LOW
2004		
First Quarter	3-63/64	3-15/32
Second Quarter*	5-6/32	3-26/32
2003		

First Quarter	1-29/32	1-3/8
Second Quarter	2-1/2	1-1/4
Third Quarter	2-21/32	2-13/64
Fourth Quarter	3-37/64	2-5/32
2002		
First Quarter	4	2-1/2
Second Quarter	3-21/32	3-1/16
Third Quarter	3-13/32	2-1/2
Fourth Quarter	2-1/2	1-7/8
2001		
First Quarter	4-1/16	2-13/16
Second Quarter	4-11/16	2-1/16
Third Quarter	2-7/16	1-7/8
Fourth Quarter	3-1/16	1-13/16

* Until June 21, 2004

The high and low bid quotations for the Company's' ordinary shares were 4-21/32 and 3-26/32 in May 2004, 5-6/32 and 3-26/32 in April 2004, 3-63/64 and 3-11/16 in March 2004, 3-27/32 and 3-1/2 in February 2004, 3-15/16 and 3-15/32 in January 2004 and 3-37/64 and 2-6/16 in December 2003. The high and low bid quotations for the Company's' ordinary shares were 5 1/2 and 4 -1/8 in 1998, 5-9/16 and 1-11/32 in 1999, 17/8 and 1 in 2000, 57/8 and 17/16 in 2001, 4 and 1-7/8 in 2002 and 3-37/64 and 1-1/4 in 2003.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS