KETER PLASTIC LTD.

FINANCIAL STATEMENTS TO 31 DECEMBER 2017

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| --- | --- |
| **KOST FORER GABBAY & KASIERER** Tel. +972-3-6232525  144A Menahem Begin Road Fax +972-3-5622555  Tel Aviv 6492102 ey.com | לוגו של ארנסט אנד יאנג |

Report of Auditor

to the Shareholders of Keter Plastic Ltd.

We audited the attached reports on the financial condition of Keter Plastic Ltd. (hereinafter – Company) to 31 December 2017 and 2016 and the Statements of Comprehensive Income, the Statements of Changes in Equity and Cash Flows for each of the years ending on those dates. These Financial Statements are under the responsibility of the board of directors and the management of the Company. Our responsibility is to give an opinion on these Financial Statements based on our audit.

We did not audit the Financial Statements of companies shown on the basis of the book value, the investment in which came to a total of NIS 18,850 thousand and NIS 10,811 thousand to 31 December 2017 and 2016 respectively, and regarding which the share of the Company in the profits of the above-mentioned company comes to a total of NIS 8,051 thousand and NIS 1,529 thousand for the years ending on those dates, respectively. The Financial Statements of that company were audited by other accountants whose reports were shown to us, and our opinion, to the extent that it refers to amounts included for that company, is based on the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing principles in Israel, including the standards established in the Auditors’ Regulations (Manner of Auditor’s Performance), 5733-1973. According to these standards, we are required to plan the audit and to perform it with the aim of achieving a reasonable degree of assurance that the Financial Statements do not offer material misstatements. The audit includes a sampling of supporting evidence for the amounts and information in the Financial Statements. The audit also includes an examination of the accounting principles applied and of the significant estimates made by the board of directors and the administration of the Company as well as an assessment of the correctness of what is shown in the Financial Statements as a whole. We believe that our audit provides a proper basis for our opinion.

In our opinion, on the basis of our audit and the statements of other auditors, the above-mentioned Financial Statements, from all material aspects, correctly reflect the financial condition of the Company as at 31 December 2018 and 2017 and the results of its activities, the changes in its share capital and its cashflows for each of the years ending on those dates in accordance with the Israeli GAAP.



Tel Aviv, Kost Forer Gabbay & Kasierer

17 May 2018 Accountants

**Keter Plastic Ltd.**

**Statements of Financial Condition**

To 31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Current Assets | |  | |  |  |
|  | |  | |  |  |
| Cash and cash equivalent | 3 | | 56,067 | | 36,593 |
| Customers | 4 | | 272,145 | | 278,021 |
| Receivables and outstanding balances | 5 | | 70,041 | | 64,975 |
| Inventory | 6 | | 485,227 | | 448,251 |
|  |  | | 883,480 | | 827,840 |
|  |  | |  | |  |
| Non-current assets |  | |  | |  |
|  |  | |  | |  |
| Fixed assets, net | 8 | | 245,071 | | 243,331 |
| Investment in Held Companies | 7 | | 19,784 | | 18,618 |
| Loans to related companies | 16B | | 67,095 | | 1,221 |
|  | 10 | | - | | 2,249 |
|  |  | | 331,950 | | 265,419 |
|  |  | | 1,215,430 | | 1,093,259 |
| Current liabilities |  | |  | |  |
| Credit from banking corporations |  | | 332,341 | | - |
| Liabilities to suppliers and service providers |  | | 343,390 | | 268,902 |
| Creditors and credit balances | 9 | | 100,841 | | 133,899 |
|  |  | | 776,572 | | 402,801 |
| Non-current liabilities |  | |  | |  |
| Loan from Related Company |  | | - | | 418,668 |
| Liability for termination of employer-employee relationships, net | 10 | | 2,178 | | - |
| Deferred taxes | 14C | | 9,196 | | 9,878 |
|  |  | | 11,374 | | 428,546 |
| Equity | 12 | | 427,484 | | 261,912 |
|  |  | | 1,215,430 | | 1,093,259 |

The attached notes constitute an integral part of the Financial Statements.

17 May 2018 (-) (-) Date of approval of the Financial Statements Nir Palistrant Ido Wallach

Director CFO

**Keter Plastic Ltd.**

**Statements of Comprehensive Income**

To year ending on

31 December

2017 2016

Note NIS thousand

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| Revenues from sales and services | 15A | 1,695,358 | 1,802,421 |
| Cost of sales and services | 15B | 1,119,158 | 1,112,168 |
| Gross profit |  | 576,200 | 690,253 |
| Expenses for sales, management and miscellaneous | 15C | 400,501 | 389,663 |
| Profit from ordinary activities |  | 175,699 | 300,590 |
| Financing expenses, net |  | 2,653 | 10,883 |
| Other expenses, net | 15D | 4,169 | (11,468) |
| Pre-tax profit on income |  | 177,215 | 278,239 |
| Taxes on income | 14 | 12,809 | 19,715 |
|  |  |  |  |
| After-tax profit on income |  | 164,406 | 258,524 |
| Share of Company in profits of Held Companies | 7 | 1,178 | 910 |
| Net profit |  | 165,584 | 259,434 |
| Other gross profit (after influence of tax): |  |  |  |
| Adjustments from translation of financial statements from currency of foreign activity |  | (12) | (2,286) |
|  |  |  |  |
| Total gross profit |  | 165,572 | 257,148 |

The attached notes constitute an integral part of the Financial Statements.

**Keter Plastic Ltd.**

**Statements of Changes in Equity**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Share capital | Premium | Capital reserve, transactions with controlling shareholders | Capital reserve from translation differentials | Profit balance | Total |
| NIS thousand | | | | | | |
|  |  |  |  |  |  |  |
| Balance to 1 January 2016 | 12 | 95,988 | 165,879 | - | 252,336 | 514,215 |
| Net profit | - | - | - | - | 259,434 | 259,434 |
| Total other gross loss | - | - | - | (2,286) | - | (2,286) |
|  |  |  |  |  |  |  |
| Paid dividend | - | - | - | - | (509,451) | (509,451) |
|  |  |  |  |  |  |  |
| Balance to 31 December 2016 | 12 | 95,988 | 165,879 | (2,286) | 2,319 | 261,912 |
|  |  |  |  |  |  |  |
| Net profit |  |  |  |  | 165,584 | 165,584 |
|  |  |  |  |  |  |  |
| Total other gross loss | - | - | - | (12) | - | (12) |
| Balance to 31 December 2017 | 12 | 95,988 | 165,879 | (2,298) | 167,903 | 427,484 |

The attached notes constitute an integral part of the Financial Statements.

**Keter Plastic Ltd.**

**Statements of Cash Flows**

To year ending on

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | |  |
| Cash flows from current activity |  |  | |  |
| Net profit |  | 165,584 | | 259,434 |
| Adjustments required to show cash flows from current activity (A) | | | 85,434 | (72,427) |
|  | | |  |  |
| Net cash from current activity | | | 251,018 | 187,007 |
|  | | |  |  |
| Cash flows from investment activity | | |  |  |
| Granting of loans to Related Parties | | | (81,663) | (9,706) |
| Payment of loans from Related Parties | | | - | (\* 80,413 |
| Depositing into a deposit | | | - | 74 |
| Purchase of fixed assets | | | (79,561) | (67,817) |
| Consideration from sale of fixed assets | | | 1,135 | 748 |
| Net cash used for investment activity (resulting from activity) | | | (160,089) | (\* 3,712) |
| Cash flows from financing activity | | |  |  |
| Dividend to shareholders | | | - | (509,451) |
| Short-term credit from banking corporations, net | | | 332,341 | (43,883) |
| Receipt of loans from Related Parties | | | - | 391,474 |
| Payment of loans to Related Parties | | | (403,796) | - |
|  | | |  |  |
| Net cash used for financing activity | | | (71,455) | (\*(161,860) |
|  | | |  |  |
| Increase in cash and cash equivalent | | | 19,474 | 28,859 |
|  | | |  |  |
| Balance of cash and cash equivalent to start of year | | | 36,593 | 7,734 |
|  | | |  |  |
| Balance of cash and cash equivalent to end of year | | | 56,067 | 36,593 |

\*) Reclassification

The attached notes constitute an integral part of the Financial Statements.

**Keter Plastic Ltd.**

**Statements of Cash Flows**

To year ending on

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | |  | | |  | |
| (A) Adjustments required for showing cash flows from current activity | | | | | |  |  | |
| Income and expenses not involving cash flows: | |  | |  | | |  | |
| Depreciation and reductions | | | | 76,814 | | | 80,232 | |
| Deferred taxes | | | | (774) | | | (3,103) | |
| Increase in reserve in compensation fund, net | | | | 4,427 | | | 7,064 | |
| Capital loss | | | | (128) | | | 175 | |
| Share of the Company in profits of Held Companies | | | | (1,178) | | | (910) | |
| Revaluation and interest for loans from Related Parties, net | | | | 818 | | | 28,012 | |
|  | | | | 79,979 | | | 111,470 | |
| Changes in assets and liabilities clauses: | | | |  | | |  | |
| Decrease (increase) in customers | | | | 5,876 | | | (68,629) | |
| Increase in receivables and debit balances | | | | (7,100) | | | (3,002) | |
| Increase in inventory | | | | (36,976) | | | (98,900) | |
| Increase (decrease) in liabilities to suppliers and service providers | | | | 74,488 | | | (26,217) | |
| Increase (decrease) in payables and credit balances | | | | (30,833) | | | 12,851 | |
|  | | | | 5,455 | | | (183,897) | |
|  | | | | 85,434 | | | (72,427) | |

The attached notes constitute an integral part of the Financial Statements.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 1: - General

The Company deals in the development, manufacturing and marketing of consumer products from plastic in a wide range of items, including garden furniture, storage solutions for home and garden, tool boxes, etc. The Company is one of the world’s leaders in its field. The Company sells its products throughout the world and in the local market both by means of direct sale and by way of subsidiaries and related companies.

B. Definitions

In these Financial Statements:

Company - Keter Plastic Ltd.

Held Companies - Companies in which the Company has control.

Parent Company - Starting from 1 November 2016, the Parent Company is Krona Resin (2016) Ltd. Until 31 October 2016, it was Keter Holdings Ltd.

Related Parties - As they are defined in Opinion 29 of the Institute of Certified Public Accountants in Israel.

The Company was incorporated and registered pursuant to the Company Law as a limited liability company on 1 January 2002 with the name Keter Work Tools Ltd. In 2011, the Company changed its name to Keter Plastic Ltd. On 1 July 2011, the plastic activity and investments in held companies of Keter Holdings Ltd. were transferred to the Company. The transfer was done under Article 104 of the Income Tax Regulation.

The registration in the books to the date of transfer was done according to cost, as required by the generally accepted auditing principles in Israel.

On 30 October 2016, the Company was sold.

Note 2: - Principles of the accounting policy

The principles of the accounting policy which were implemented in the writing of the Financial Statements, in a consistent manner, are as follows:

A. The reporting basis of the Financial Statements

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

1. In the past, the Company drew up its financial statements on the historical basis adjusted to the Consumer Price Index. The adjusted amounts, as stated, included in the financial statements to 31 December 2003 were used as a starting point for the nominal financial statement starting from 1 January 2004. Additions carried out after the transition date were included at nominal values.
2. Pursuant to Accounting Standard Number 12 regarding “Cessation of the Adjustment of Financial Statements”, the adjustment of the Financial Statements for inflation ended on 31 December 2003, and from that date, the Company began to report in reported amounts.
3. The amounts of the non-monetary assets do not necessarily show the realization value or the updated economic value, but only the reported amounts of those assets.
4. In the Financial Statements, “cost” means cost in a reported amount.
5. The Company does not include in its Financial Statements a note on nominal money reporting due to immateriality.

B. Currency of activity

1. Presentation currency

The presentation currency of the Company is the NIS.

1. Transactions, assets and liabilities in a foreign currency

Transactions denominated in a foreign currency (a currency other than the activity currency) are recorded with the initial recognition thereof according to the exchange rate on the date of the transaction. After the initial recognition, monetary assets and liabilities denominated in a foreign currency are translated on each reporting date to the activity currency according to the exchange rate on that date. Rate of exchange differentials are charged to the profit and loss statement. Non-monetary assets and liabilities denominated in a foreign currency and shown according to fair value are retranslated into the activity currency according to the exchange rate on the date on which the fair rate was determined. Non-monetary assets and liabilities shown according to cost are translated according to the exchange rate on the date of the transaction.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

1. Index-linked monetary items

Monetary assets and liabilities which are linked according to their terms to the Consumer Price Index in Israel (hereinafter – Index) are adjusted according to the relevant Index, on each reporting date, in accordance with the terms of the agreement. The linkage differentials resulting from the above-mentioned adjustment, other than those capitalized to eligible assets or charged directly to other gross profit (loss) in hedging transactions are charged to the profit and loss statement.

C. Value of cash

The value of cash is considered by the Company as investments the liquidity of which is high, including short-term deposits in banking corporations, the original period of which does not exceed three months from the date of the investment and which are not limited by an encumbrance.

D. Short-term deposits

Short-term deposits in banking corporations the original period of which is in excess of three months from the date of the investment. The deposits are shown in accordance with the terms and conditions of their depositing.

E. Inventory

Inventory is measured according to cost or net realization value, whichever is lower. The cost of the inventory includes the expenses for the purchase of the inventory and bringing it to its present place and condition. Net realization value is an estimate of the sale price during an ordinary transaction, less an estimate of costs for completion and the costs required for executing the sale. The Company examines the condition of the inventory and its age periodically and makes a provision for slow inventory accordingly.

The cost of the inventory is determined as follows:

Raw materials - according to purchase cost on the “first in – first out” basis.

Goods being processed and finished - on the basis of average cost, including materials, work and other direct and indirect manufacturing expenses.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

In a given period in which no manufacturing is done in a normal period, the cost of the inventory does not include additional fixed overhead costs beyond those required during a normal period. Costs, as stated, which were not allocated, were charged as an expense to the profit and loss statement during the period in which

they were incurred. In addition, the cost of the inventory does not include exceptional amounts of costs of materials, work and other resulting from inefficiency.

F. Provision for doubtful debts

The provision for doubtful debts is determined in a specific manner for debts the collection of which in the assessment of the management of the Company is doubtful.

G. Fixed assets

Fixed asset items are shown according to cost plus direct purchase costs, less cumulative depreciation, less cumulative losses from a decrease in value and less investment grants received for them which are not included in current maintenance expenses. The cost includes replacement parts and auxiliary materials which may be used only in the context of machinery and equipment.

The depreciation has been calculated at equal annual rates on the basis of the straight line method for the useful life of the asset, as follows:

% Principally %

Molds 10-20 20

Vehicles 16.67 16.67

Machines and equipment 10 10-16.67

Furniture and computers 6-16.67 6

Components of fixed asset items with a significant value with regard to the total cost of the item are depreciated separately according to the component method. The depreciation is calculated according to the equal depreciation method at annual rates calculated as sufficient for the depreciation of the assets over their estimated useful period.

The useful lifespan, the depreciation method and the residual value of each asset is examined at least at the end of each year, and the changes are handled as an accounting estimate change from this time forward.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

An asset is subtracted from the Financial Statements on the date of sale or when no economic benefits are anticipated from the use of the asset. Profit or loss from the subtraction of the asset (calculated as a differential between the net consideration from the subtraction and the depreciated cost in the Financial Statements) is included in the Profit and Loss Statement in the period in which the asset was subtracted.

H. Taxes on income

Taxes on income in the Profit and Loss Statement include current taxes and deferred taxes. The tax expense for current or deferred taxes are charged to the Profit and Loss Statement, unless they refer to items charged to profit (loss), including other, or to equity. In these cases, the influence of the tax is also charged to the clause referring to other gross profit or equity.

1. Current taxes

A liability for current taxes is determined by making use of the tax rates and the tax laws which have been legislated or the legislation of which has in effect been completed up to the date of the statement, as well as the adjustment required in connection with the tax liability for payment for previous years.

2. Deferred taxes

Deferred taxes have been calculated for the temporary differentials between the amounts included in the Financial Statements and the amounts taken into account for tax purposes, other than a small number of exceptions.

The balances of the deferred taxes have been calculated according to the tax rates expected to be applied when the asset is realized or the liability is paid off, based on the tax laws which have been legislated or the legislation of which has in effect been completed up to the date of the statement.

On each reporting date, deferred tax assets are examined, and if their utilization is not anticipated, they are depreciated. At the same time, temporary differentials (such as losses transferred for tax purposes) for which no tax assets have been recognized are examined, and if their utilization is anticipated, a suitable deferred tax asset is recognized. Every

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

depreciation and recognition as stated is charged to the tax clause on the income.

In the calculation of the deferred taxes, the taxes which were to have applied in the event of the realization of the investment in Held Companies were not taken into account, if the investment in the Held Companies is not anticipated in the foreseeable future. In addition, deferred taxes for the distribution of profits by Held Companies as dividends have not been taken into account, since the distribution of the dividend does not involve an additional tax liability, or due to the policy of the Company not to initiate a dividend distribution which causes an additional tax liability.

Deferred taxes are deducted if there is an enforceable legal right which permits the deduction of a current tax asset against a current tax liability and the deferred taxes refer to that entity which owes the tax and that same tax authority.

I. Recognition of income

Income is recognized in the Profit and Loss Statement when it is measurable in a reliable manner, it is anticipated that the financial benefits connected with the transaction will flow to the Company and the costs which have accrued for the transaction are measurable in a reliable manner. The income is measured according to the fair value of the consideration in the transaction less commercial discounts, discounts for quantity and returns.

Below are the specific criteria in the matter of recognition of income with regard to the following types of income:

1. Income from the sale of goods

Income from the sale of goods is recognized when all the significant risks and yields deriving from the ownership of the goods have been transferred to the customer, and the seller does not preserve extended administrative involvement. Generally, the date of delivery is the date on which the ownership has been transferred.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

1. Interest income

Interest income is recognized on a cumulative basis with the effective interest method.

1. Income from royalties

Income from royalties is recognized on a cumulative basis according to the nature of the agreement and its terms and conditions.

1. Discounts to customers

Current discounts to customers are included in the Financial Statements upon their being granted and are charged to the sales clause.

Discounts given to customers at the end of the year with regard to which the customer is not obligated to meet certain targets are included in the Financial Statements upon execution of the relative sales entitling the customer to the above-mentioned discounts.

Discounts to customers where their receipt is stipulated on the customer meeting certain targets, such as complying with a minimum annual scope of purchases (quantitative or monetary), increase in the scope of the purchases in comparison to previous periods, etc., are included in the Financial Statements proportionally according to the scope of purchases made by the customer during the reported period which advance it toward meeting the targets, only when it is expected that the targets will be met and it is possible reasonably to estimate the discount amounts. The estimation of the meeting of the targets is based, inter alia, on past experience and the relationship of the Company with the customers and on the scope of the purchases by the customers expected during the balance of the period.

1. Provision for liability for the quality of the products and a provision for returns

A provision for liability for the quality of the products is calculated according to an estimate of the management of the Company and based on past experience.

The provision for returns of goods from customers is calculated according to an estimate of the management and based on past experience.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

J. Use of estimates in drawing up the Financial Statements

When preparing the Financial Statements, the management needed to make use of estimates, assessments and assumptions which influence the implementation of the accounting policy and the reported amounts of assets, liabilities, income and expenses. Changes in the accounting estimates have been charged to the period in which the change in the estimate was made.

Below are the principal assumptions made in the Financial Statements in connection with the uncertainty to the date of the report and critical estimates calculated by the group and regarding which material changes in the estimates and the assumptions are liable to change the value of assets and liabilities in the Financial Statements in the following year:

Legal claims

In assessments of the chances of results of the legal claims filed against the Company and companies held by it, the companies relied on expert opinions and their legal consultants. These assessments of the legal consultants are based on their best professional judgment, taking into consideration the stage in which the

procedures are found as well as the legal experience accumulated in the various subjects. Since the results of the claims will be determined in the courts, these results are liable to be different from these assessments.

Deferred tax assets

Deferred tax assets are recognized for losses transferred for tax purposes and for temporary differentials which are deductible prior to being utilized, if it is expected that there will be future taxable income against which it will be possible to utilize them. An estimate by the management is required in order to determine the amount of the deferred tax asset which can be recognized based on the timing, the expected amount of the taxable income, its source and the tax planning strategy.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

K. Advertising expenses

Expenses for advertising, sales promotion and marketing activity, such as the issuing of catalogs and advertising sheets, are recognized as an expense at the time the Company has access to the advertising products or when the service for these actions is given to the Company.

L. Disclosure of new accounting standards in the period preceding their implementation

1. Accounting Standard 39 *Employee Benefits*

In August 2017, the Israel Accounting Standards Board published Accounting Standard 39, *Employee Benefits* (hereinafter: “Standard”). This Standard, based (with certain adjustments) on International Accounting Standard 19 *Employee Benefits*, replaces Opinion 20 *The Accounting Handling and Reporting Rules Regarding Severance Pay, Retirement Compensation and Pension*, and determines the accounting handling with regard to employee benefits.

The Standard handles four types of employee benefits:

* + 1. Short-term employee benefits – an entity will recognize short-term employee benefits when a worker grants services to the entity during the reporting period and will measure them using a non-capitalized amount.
    2. Benefits after the termination of the employment including benefits for retirement compensation – an entity will classify arrangements according to which an entity provides benefits after the termination of employment as plans for a defined deposit or as plans for a defined benefit. In plans for a defined deposit, an entity recognizes amounts which are to be deposited for the period as an expense and as a liability if the amounts have not yet been deposited. In plans for a defined benefit, other than benefits for retirement compensation, an entity will implement the actuarial model while making use of the projected eligibility approach. With regard to benefits for retirement compensation, the Standard permits the entity to choose between the implementation of the actuarial model as other benefits are handled in accordance with the defined benefit plan and the implementation of the shut-down method, a method being implemented at present according to Opinion 20.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 2: - Principles of the accounting policy (cont.)

* + 1. Other long-term employee benefits – an entity will recognize a liability for other long-term employee benefits which is measured at the present value of the obligation for the benefit on the reporting date.
    2. Surplus benefits for the termination of employment under special circumstances – these are benefits which are added to benefits for retirement compensation. The entity will measure these benefits according to the best estimation of the exit which will be required in order to pay off the obligation on the reporting date. If these benefits are payable after more than 12 months after the end of the reporting period, they will be measured at their present value.

Accounting Standard 39 will be implemented for the annual periods starting on 1 January 2018 (“Starting Date”). The Standard will be implemented retroactively when the cumulative influence of the first implementation of the Standard has been recognized as an adjustment to the opening balance of the surpluses on the Starting Date. The entity will not re-show comparative information.

The Company is measuring the possible influence of the Standard, including the possible alternatives which the Standard offers.

2. Improvement of existing standards – 2017 (B)

In December 2017, the Israel Accounting Standards Board published a central file of amendments to existing standards in order to adjust these standards to the customary international standards.

|  |  |
| --- | --- |
| Relevant standards | Main points of the amendment |
| 34 | Pursuant to the provisions of the amendment, assets and liabilities balances for deferred taxes will be categorized in full as non-current assets or as non-current liabilities. |

The amendments will be implemented starting from the annual periods beginning on 1 January 2018.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 3: - Cash and cash equivalent

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | |  |  |
| In New Israeli Shekels |  | | 3,785 | | 8,464 |
| In foreign currency |  | | 52,282 | | 28,129 |
|  |  | |  | |  |
|  |  | | 56,067 | | 36,593 |

Note 4: - Customers

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | |  |  |
| Open debts 1) 2) |  | | 265,273 | | 266,226 |
| Checks for collection |  | | 6,872 | | 11,795 |
|  |  | |  | |  |
|  |  | | 272,145 | | 278,021 |

1) Less provision for doubtful debts

2) Regarding the balance with Related Parties, see Note 16.

Note 5: - Receivables and debt balances

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | |  |  |
| Advance expenses |  | | 2,810 | | 749 |
| Advances to suppliers |  | | 2,221 | | 827 |
| Reserve for sick pay 1) |  | | 3,697 | | 3,392 |
| Institutions (VAT) |  | | 38,542 | | 25,823 |
| Investment grant to receive |  | | - | | 7,039 |
| Deferred taxes |  | | 1,493 | | 1,401 |
| Loan to Related Parties 2) |  | | - | | 13,651 |
| Related Parties 2) |  | | 13,032 | | 3,520 |
| Parent Company 2) |  | | 2,013 | | - |
| Financial derivatives |  | | 329 | | - |
| Other receivables |  | | 5,904 | | 8,573 |
|  |  | |  | |  |
|  |  | | 70,041 | | 64,975 |

1) The balance of the reserve fund for sick pay is recorded in the name of Keter Holdings Ltd., the former Parent Company.

2) See Note 16.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 6: - Inventory

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | |  |  |
| Raw materials |  | | 55,368 | | 63,269 |
| Goods being processed and finished |  | | 393,616 | | 369,849 |
| Inventory in transit |  | | 36,243 | | 15,133 |
|  |  | |  | |  |
|  |  | | 485,227 | | 448,251 |

Note 7: - Investments in Held Companies

A. Composition

2017 2016

Note NIS thousand

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | |  | | |  |  |
| Cost of shares and profits accumulated from purchase date, net | | | | 19,784 | | 18,618 |
|  |  | |  | | |  |
|  |  | | 19,784 | | | 18,618 |

B. Movements in investments in 2018

31 December

2017

NIS thousand

Investment in Keter Extrusion Products Ltd. (Polygal) 1)

The rate of holding is 100%

|  |  |
| --- | --- |
| Balance to beginning of year | 6,574 |
| Share of the Company in losses of Held Company | (6,574) |
| Balance to end of year | - |

Investment in Keter (U.K.) Ltd.

The rate of holding is 100%

|  |  |  |
| --- | --- | --- |
| Balance to beginning of year | 10,881 | |
| Share of the Company in profits of Held Company | 8,051 | |
| Translation differential capital fund | (12) | |
| Balance to end of year | 18,850 | |
| **Keter Plastic Ltd.**  **Notes to the Financial Statements**  Note 7: - Investments in Held Companies (cont.). | | | |
| Investment in Keter Europe Gardening B.V. | |  |
| The rate of holding is 100% |  | |
| Balance to start of year | 1,233 | |
| Share of the Company in losses of Held Company | (299) | |
| Balance to end of year | 934 | |

Investment in Keter North America LLC

The rate of holding is 100%

|  |  |  |
| --- | --- | --- |
| Balance to beginning of year | - | |
| Share of the Company in profits of Held Company | - | |
|  |  | |
| Balance to end of year | - | |
|  |  | |
| Balance of investment in Held Companies to end of year | | 19,784 |

1) During 2017, the company was liquidated.

Note 8: - Fixed assets

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Molds | | | Machines and equipment | | Vehicles | | Furniture and computers | Advances for fixed assets | Total |
|  | NIS thousand | | | | | | | | | | | |
|  | |  | | |  | | |  |  | |  |  |
| Cost | | | |  | | |  |  |  | |  |  |
| Balance to 1 January 2017 | | | | 365,291 | | | 371,177 | 41,066 | 28,371 | | 21 | 805,926 |
| Additions during year | | | | 37,791 | | | 38,821 | 556 | 1,917 | | 296 | 79,561 |
| Decreases during year | | | | (2,935) | | | - | (2,087) | - | | - | (5,022) |
| Balance to 31 December 2017 | | | | 400,327 | | | 409,998 | 39,535 | 30,288 | | 317 | 880,465 |
|  | | | |  | | |  |  |  | |  |  |
| Cumulative depreciation | | | |  | | |  |  |  | |  |  |
|  | | | |  | | |  |  |  | |  |  |
| Balance to 1 January 2017 | | | | 247,116 | | | 270,080 | 23,586 | 21,813 | | - | 562,595 |
| Additions during year | | | | 49,999 | | | 18,978 | 4,810 | 2,234 | | - | 76,021 |
| Provision for decrease in value | | | | 793 | | | - | - | - | | - | 793 |
| Decreases during year | | | | (2,388) | | | - | (1,627) | - | | - | (4,015) |
|  | | | |  | | |  |  |  | |  |  |
| Balance to 31 December 2017 | | | | 295,520 | | | 289,058 | 26,769 | 24,047 | | - | 635,394 |
|  | | | |  | | |  |  |  | |  |  |
| Depreciated cost to 31 December 2017 | | | | 104,807 | | | 120,940 | 12,766 | 6,241 | | 317 | 245,071 |
| Depreciated cost to 31 December 2016 | | | | 118,175 | | | 101,097 | 17,480 | 6,558 | | 21 | 243,331 |

1) The cost of property is after deducting grants received up to and including 2017 amounting to NIS 295,958 thousand (2016 – NIS 288,920 thousand), see Note 11C.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 9: - Payables and credit balances

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | |  | | |  |  |
| Provision for vacation and recuperation |  | | | 21,288 | | 21,707 |
| Employees and institutions for salary |  | | | 35,224 | | 82,669 |
| Income tax to pay |  | | | 6,385 | | 14,649 |
| Expenses to pay and provision for liability | | |  | 26,562 | | 12,649 |
| Financial derivatives |  | | | 9,461 | | - |
| Advances from customers |  | | | 1,921 | | - |
| Related Parties 1) |  | | | - | | 2,225 |
|  |  | | |  | |  |
|  |  | | | 100,841 | | 133,899 |

1) See Note 16.

Note 10: - Liability (reserve surplus) for termination of employee-employer relationships, net

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | |  | |  |
| Liability due to termination of employee-employer relationships | |  | | (81,966) | (137,547) |
| Less – reserve deposited in personal compensation funds | |  | | 64,241 | 96,500 |
| Less – reserve deposited in central compensation funds (B) | |  | | 15,547 | 43,296 |
|  | |  | |  |  |
| Surplus liability for termination of employee-employer relationship | |  | | (2,178) | 2,249 |

A. The Company liabilities for the termination of employee-employer relationships has been calculated on the basis of the last salary of the employees to the date of the balance sheet and in accordance with the Severance Compensation Law and are fully covered by current payments to insurance companies for managers’ insurance policies and provident funds as well as by means of the balance of the liabilities due to the termination of employee-employer relationships shown in the balance sheet.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 10: - Liability for termination of employee-employer relationships, net (cont.)

B. The reserve deposited in compensation funds includes profits which have accumulated to the date of the balance sheet. The money deposited can be withdrawn only after the undertakings under the Severance Compensation Law or under work agreements have been complied with.

As of 31 December 2017, a sum of about NIS 7,740 thousand (2016 – NIS 35,736 thousand) from the compensation funds is recorded in the name of the former Parent Company, Keter Holdings Ltd.; the Company is working to transfer the funds to personal funds of the employees. The former Parent Company endorsed the rights and obligations resulting from the central funds for compensation to the Company.

C. In 2016, new salary agreements were signed with the managers in the Company, which include adaptation grants in the event of the termination of employee-employer relationships. The Company included a provision in its Financial Statements in accordance with the terms and conditions in these agreements.

Note 11: - Contingent liabilities, commitments, guarantees and encumbrances

A. Contingent liabilities and commitments

1. There exist a number of claims against the Company for liability for damage from use of its products. Claims of sums in excess of NIS 1.2 million are insured under the Company insurance, and claims of sums lower than this are being handled directly by the Company. As of 31 December 2017, on the basis of the expert opinion of the legal consultants of the Company, the Company has included in its Financial Statements a sufficient provision for those claims.
2. In 2013, a company competing with the Company filed a claim against an agent of the Company in France (hereinafter – “Agent”). The Company, *ex gratia*, is willing to indemnify the Agent for half of the amount ruled against him, for a sum of about 0.5 million Euros, for which a provision was included in the Financial Statements to 31 December 2015. Both parties to the claim filed an appeal against the ruling of the court. In 2016, the Company and the Agent of the Company reached an agreement that each party would bear 50% of the cost to be ruled by the court, and the Company transferred said amount to the attorney of the Agent in trust.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 11: - Contingent liabilities, commitments, guarantees and encumbrances (cont.)

In January 2017, the appeal of the Agent was accepted in full by the appeals court in France, and the money was repaid to the Company.

In December 2017, the competing company filed an appeal to the supreme court in France. If this appeal is received, the hearing will return to the appeals court in France, which will re-examine the claim. The decision of the supreme court in France is expected to be given at the beginning of 2019.

As of the date of signing of the Financial Statements, the Company cannot estimate the chances of success of the claim.

1. In April 2017, an indictment was filed in the traffic court in Acre against the former Parent Company of the Company and against nine employees of Keter Plastic Ltd., including the CEO of the Company. The background to the filing of the indictment is the identification of faults in trucks registered in the name of the former Parent Company which, according to the contention of the accuser, are contrary to the traffic ordinance and the relevant regulations while endangering human life.

These trucks were supposed to be moved in the framework of the sale of the Keter Group to the BC Partners Fund, but for technical reasons, the ownership was not transferred, and on the date on which the faults were discovered in a police check, the trucks were still registered in the name of the former Parent Company.

As of the date of signing of the Financial Statements, the parties to the claim are discussing the possibility of reaching a plea bargain in the framework of which the Company and some of the accused in the claim will be convicted.

As of 31 December 2017, the Company has included a sufficient provision for this claim.

1. In September 2017, a lessor of one of the properties being leased by the Company filed a claim against it. According to the contention of the lessor, the Company owes the lessor the sum of about NIS 2.6 million for amounts which, according to its contention, were not paid in accordance with the leasing agreement.

In January 2018, the Company submitted a statement of defense and a counter-claim in which the Company contended, *inter alia*, that it does not owe amounts to the lessor, but rather is entitled to the sum of about NIS 1.8 million from the lessor.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 11: - Contingent liabilities, commitments, guarantees and encumbrances (cont.)

In April 2018, the lessor supplied an affidavit and responded to the claim of the Company, and in the statement of defense rejected the contentions of the Company. The Company is expected to submit its response by mans of an affidavit.

According to the decision of a mediator, the Company and the lessor will coordinate 3 mediation meetings which, as of the date of signing of the Financial Statements, have not yet been coordinated.

As of the date of signing of the Financial Statements, the mediation is at the preliminary stage, and therefore the Company cannot estimate the chances of success of the claims.

As of 31 December 2017, the Company included a provision for this claim in the Financial Statements.

1. In August 2015, the Investment Authority Administration decided retroactively to cancel the investment plan of the Company under the Encouragement of Capital Investments Law, 5719-1959 (“Law”) and demanded that the Company return 5/7 of the amount of the grants given to it plus linkage differentials to the Consumer Price Index and interest; the amount of the demand came to about NIS 5 million. The above-mentioned investment plan had been approved in March 2005.

On 29 October 2017, the Company filed an administrative appeal against the Ministry of Economy and Industry in the Jerusalem District Court. It was agreed between the parties that the Company would not be required to return the money until after the first hearing in the appeal, which would take place on 30 April 2018. With the consent of both parties at the hearing, it was decided that the Investment Authority would be required to re-hear the application of the Company and decide again what portion of the grants given to the Company the Company would be required to return.

As of the date of signing of the Financial Statements, and in light of the complexity of the claim, the Company cannot estimate the chances of success of the appeal.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 11: - Contingent liabilities, commitments, guarantees and encumbrances (cont.)

B. Guarantees

1. As of 31 December 2016, the Company guaranteed to a banking corporation in connection with a liability of a Related Company to that corporation. The amount of the liability of the Related Company to the banking corporation came to a total of about NIS 5.5 million; against the above-mentioned guarantee, the Company encumbered a bank deposit at a sum of about NIS 5.5 million. In 2017, the guarantee was realized and the deposit was paid to the banking corporation.

2. The Company has guarantees in the framework of its work with suppliers for a grand total of about NIS 10.4 million as of 31 December 2017.

C. Encumbrances

1. In accordance with the Encouragement of Capital Investments Law, 5719-1959, the former Parent Company received grants from the State for investments in fixed assets carried out in the framework of plans for the enlargement of the plants which were approved by the investment center. As a part of the transfer of the Company activity from the former Parent Company (see Note 1B), the Company received approvals from the Investment Center in the Ministry of Industry and Trade for the transfer of the rights and obligations under the written approval for the investment grants from the former Parent Company to the Company. The receipt of said grants was stipulated on compliance with the terms and conditions of the written approval; if the Company did not comply with the required terms and conditions, it would have to return the grants plus arrears interest from the date of their receipt. In the opinion of the management, the Company complied with the terms and conditions of the written approval.

In the framework of the transfer of rights and obligations, the Company recorded encumbrances on all the fixed assets without limitation of amount in favor of the State of Israel.

During 2017, the encumbrance was replaced by a guarantee of NIS 5.8 million, which will expire on 31 December 2018.

1. For the guarantee of the undertaking of Keter Group B.V., a company incorporated in Holland, which holds 100% of the Parent Company, to banking corporations abroad, together with additional Related Companies, the Company placed a floating charge on its tangible and intangible assets of every kind whatsoever and a first degree fixed charge for the banking corporation.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 12: - Equity

A. Share capital

31 December 2017 and 2016

Registered Issued and paid up

Note Number of shares

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |
| Ordinary shares with a par value of NIS 0.01 each \*) | | 3,800,000 | | 1,2400,001 | |

\*) See also Note 1B.

B. Share rights

Voting rights in general meetings, right to a dividend, rights in liquidation of the Company and a right to appoint directors in the Company.

Note 13: - Compensation plan for employees

In the framework of a Managers Incentive Plan (hereinafter: “Plan”) of the group, shares in the company Krona Management SA (hereinafter: “Krona Management”) were granted to some of the employees of the Company, in a capital gains track by means of a trustee pursuant to the provisions of Clause 102 of the Income Tax Regulation. In addition, in the framework of the Plan, some of the Company employees purchased shares of Krona Management. For the allocation, no expenses were recorded in the Company books in 2017.

Note 14: - Taxes on income

A. Tax laws applicable to the Company

Income Tax Law (Adjustments Due to Inflation), 5745-1985

According to the law, until the end of 2007, the results were measured for tax purposes in Israel when adjusted for changes in the Consumer Price Index.

In February 2008, an amendment to the Income Tax Law (Adjustments Due to Inflation), 5745-1985 passed in the Knesset, which limits the application of the Adjustment Law from 2008 and forward. Starting from 2008, the results are measured for tax purposes in nominal values, other than certain adjustments for changes in the Consumer Price Index during the period up to 31 December 2007. Adjustments referring to capital gains, such as for the financing of real estate (betterment) and securities, continue to apply until the date of realization. The amendment to the law includes, *inter alia*, the cancellation of the adjustment of

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 14: - Taxes on income (cont.)

the supplement and the deduction for inflation and the additional deduction for depreciation (for depreciable assets purchased after the 2007 tax year) starting from 2008.

Amendment to the Capital Investment Encouragement Law, 5719-1959 (Amendment 68)

In December 2010, the Knesset approved the Economic Policy Law for 2011 and 2012 (Legislative Amendments), 5771-2011, which established, *inter alia*, amendments in the Capital Investment Encouragement Law, 5719-1959 (hereinafter – Law). The application of the amendment is from 1 January 2011. The amendment changes the benefit tracks in the law and applies a single tax rate to all the preferred income of the Company, which will be deemed a preferred company with a preferred plant. Starting from the 2011 tax year, the Company may choose (without the possibility of changing its choice) whether to change to the application of the amendment, and starting from that same tax year regarding which the choice was made, the amended tax rates will apply to all the preferred income from the preferred plant. The tax rates under the amendment to the Law are: in 2011 and 2012, 15% (in Development Area A – 10%), in 2013, 12.5% (in Development Area A – 7%).

Amendment to the Capital Investment Encouragement Law, 5719-1959 (Amendment 71)

In August 2013, the Change in National Priorities Law (Legislative Amendments to Achieve Budget Goals for 2013 and 2014), 5773-2013, which includes Amendment 71 to the Capital Investment Encouragement Law (hereinafter – Amendment). The Amendment states that the tax rate on preferred income from a preferred plant in 2014 and henceforth is 16% (in Development Area A – 9%).

In addition, the Amendment states that if a dividend is applied to an individual or a foreign resident from the profits of the preferred plant as stated above, tax at a rate of 20% will apply.

The Company chose to work for the application of the Amendment and delivered its final decision to the tax authorities. Therefore, starting from the 2011 tax year, Amendment 71 applies to the Company.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 14: - Taxes on income (cont.)

The Industry Encouragement Law (Taxes), 5729-1969

The Company has the status of an “industrial company” as this term is defined in this law. According to this status and under amendments which have been published, the Company is entitled to demand a depreciation deduction at increased rates with regard to equipment used in industrial activity, as stated in the amendments under the Adjustment Law. In addition, the Company is entitled to a reduction for a patent or right to exploit a patent or knowhow used for the development or the promotion of the plant, to a deduction of expenses for the issuing of shares registered for trade on the stock exchange and to submit a later report under certain conditions.

B. The tax rates applying to the Company

The company tax rate in Israel in 2017 was 24% and in 2016 it was 25%.

A human being owes tax on real capital gains at the company tax rate applicable in the year of the sale.

On 4 January 2016, the Knesset plenum in the second and third reading approved the bill for the amendment of the Income Tax Regulation (No. 217) (Reduction of the Company Tax Rate), 5776-2015, which included a reduction in the company tax rate from 26.5% to 25%.

In addition, in December 2016, the Economic Efficiency Law (Legislative Amendments to Implement Economic Policy for Budget Years 2017 and 2018), 5777-2016 was approved; it includes a reduction in the company tax rate starting from 1 January 2017 to a rate of 24% (instead of 25%), and starting from 1 January 2018, to a rate of 23%.

In August 2013, the Change in National Priorities Law (Legislative Amendments to Achieve Budget Goals for 2013 and 2014), 5773-2013, (Budget Law), was published, which includes, *inter alia*, the taxation of revaluation gains starting from 1 August 2013; however, the entering into effect of the above-mentioned provisions with regard to revaluation gains is stipulated on the publication of regulations defining what are “surpluses not liable for company tax” as well as regulations which will determine provisions for the prevention of double taxes which are liable to apply to assets outside Israel. As of the date of approval of these Financial Statements, said regulations have not yet been published.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 14: - Taxes on income (cont.)

C. Deferred taxes

1. The composition:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Liabilities for termination of employee-employer relationships | | Fixed assets | Provision for vacation and rehabilitation | Reserve for sick pay | Other | Total |
| In NIS thousand | | | | | | | |
|  |  | |  |  |  |  |  |
| Balance to 1 January 2016 | (838) | | (12,650) | 2,055 | (306) | 159 | (11,580) |
|  |  | |  |  |  |  |  |
| Charged to Profit and Loss Statement | | 716 | 2,986 | (427) | 52 | (224) | 3,103 |
|  |  | |  |  |  |  |  |
| Balance to 31 December 2016 | (122) | | (9,664) | 1,628 | (254) | (65) | (8,477) |
|  |  | |  |  |  |  |  |
| Charged to Profit and Loss Statement | | 285 | 307 | (33) | (23) | 238 | 774 |
|  |  | |  |  |  |  |  |
| Balance to 31 December 2017 | 163 | | (9,357) | 1,595 | (277) | 173 | (7,703) |

2. Deferred taxes are shown in the balance sheet as follows:

To year ending on

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |
| In current assets | | 1,493 | | 1,401 | |
| In long-term liabilities | | (9,196) | | (9,878) | |
|  | |  | |  | |
|  | | (7,703) | | (8,477) | |

D. Taxes on the income included in the Profit and Loss Statement

31 December

2017 2016

Note NIS thousand

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| Current taxes |  | 14,028 | 31,268 |
| Deferred taxes |  | (774) | (3,103) |
| Taxes for previous years |  | (445) | (8,450) |
|  |  | 12,809 | 19,715 |

E. Tax assessments

The Company has final tax assessments up to and including the 2012 tax year. During 2017, an assessment agreement was signed for 2011-2012.

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 15: - Additional details to Profit and Loss Statement clauses

A. Income from sales and services

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | |  | | | | |  | |
| Income from sales and services abroad 1) | | |  | 1,557,075 | | | | | 1,639,400 | |
| Sales in the local market |  | | | 138,283 | | | | | 163,021 | |
|  |  | | | 1,695,358 | | | | | 1,802,421 | |
| B. Cost of the sales and services | | |  | | | | | To year ending on  31 December  2017 2016  NIS thousand | | | |
| Purchases/materials consumed |  | | | 754,723 | | | | | 777,500 | |
| Changes in inventory of finished products and products in process |  | | | (16,508) | | | | | (65,552) | |
| Salaries and benefits |  | | | 169,398 | | | | | 179,201 | |
| Depreciation and provision for decrease in value | | | | |  | | 70,272 | | 73,666 | |
| Factory | | | | |  | | 130,510 | | 129,896 | |
| Outside work | | | | |  | | 12,361 | | 17,538 | |
| Participation in expenses – Related Companies 1) | | | | | |  | | (1,598) | (81) | |
|  | | | | |  | | 1,119,158 | | 1,112,168 | |
| C. Expenses for sales, administration and general | | | | | |  | |  | |  | |
|  | | | | |  | | To year ending on  31 December  2017 2016  NIS thousand | | | |
| Salaries and benefits | | | | |  | | 103,085 | | 138,811 | |
| Depreciation | | | | |  | | 6,542 | | 6,566 | |
| Transport and export expenses | | | | |  | | 188,214 | | 155,882 | |
| Other | | | | |  | | 130,061 | | 144,588 | |
| Participation in expenses – related companies 1) | | | | |  | | (27,401) | | (56,184) | |
|  | | | | |  | | 400,501 | | 389,663 | |
| 1) See Note 16. | | | | |  | |  | |  | |
| **Keter Plastic Ltd.**  **Notes to the Financial Statements**  Note 15: - Additional details to Profit and Loss Statement clauses | | | | | | | | | | | | |
| D. Other income (expenses), net | | | | | |  | |  | |  | |
|  | | | | |  | | To year ending on  31 December  2017 2016 | | | |
| Profit (loss) from realization of fixed assets, net  Salary for employees about to retire | | | | |  | | 138  - | | (175)  12,711 |
| Other income, net | | | | |  | | 4,031 | | (1,418) |
|  | | | | |  | | 4,169 | | (11,468) |

Note 16: - Controlling shareholders and Related Parties

A. Transactions with controlling shareholders and Related Parties

For year ending on

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | | |  |
| Income from sales of goods and provision of services (1) | | | | 989,529 | 1,097,561 |
| Purchases and receipt of services (2) | | | | 76,172 | 86,495 |
| Financing income, net (3) | | 7,450 | | | 7,952 |
| Sales expenses (4) | | 15,534 | | | 15,853 |
| Expenses for sales, administration and general (5) | | 40,118 | | | 16,408 |
| Charges for participation in expenses (decrease in expense) (6) | | | (70,653) | | (72,959) |
| Cost of salary to controlling shareholders | | | - | | 2,562 |
|  | |  | | |  |

B. Balances with controlling shareholders and Related Parties

31 December

2017 2016

Note NIS thousand

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | | | |  |
| Customers | |  | | 191,023 | | | 186,286 |
| Receivables and outstanding balances (7) | | | |  | | 15,045 | 17,171 |
| Liabilities to suppliers and service providers | | | | | 22,833 | | 9,410 |
| Payables and credit balances | | | | | - | | 2,225 |
| Balances for salary and benefits | | | | | - | | 2,353 |
| Loans from a Related Company (8) | | | | | - | | 418,668 |
| Loan to a Related Company (10) | | | | | 67,095 | | - |

**Keter Plastic Ltd.**

**Notes to the Financial Statements**

Note 16: - Controlling shareholders and Related Parties (cont.)

1. Income from sales of goods, royalties and provision of services to subsidiaries and Related Companies.
2. Purchases and receipt of services from Related Companies.
3. Financing income whose source is a charge for interest and exchange rate differentials.
4. The Company rented from a shareholder and from Related Companies buildings used for the activity of the Company.
5. Sales fees.
6. The Company charges Related Companies for headquarters and management services which are given by it.
7. The balance of the Related Parties in the charges clause includes the following balances:
   * + - 1. Shekel balances with Related Companies, the balances bear interest in accordance with the income tax regulations.
         2. Charge of a Related Company for the cost of production of new activity.
         3. A loan to a Related Company.
8. A Euro-linked loan, short term, bearing interest at the rate of 0.74%.

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