TEFRON LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2014

UNAUDITED

Contents

ERNST & YOUNG

Review Report of the Auditors to the Shareholders of Tefron Ltd.

Preface

We have reviewed the attached financial information of Tefron Ltd. and its subsidiaries (hereinafter "the Group"), which includes the condensed consolidated balance sheet as at March 31, 2014, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period of three month then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Financial Reporting for Interim Periods", and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of the review

We have performed our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods prepared by the Entity's Auditor." A review of financial information for interim periods consists of making inquiries, primarily with persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to obtain assurance that we will be aware of all significant matters which might have been identified in an audit. Consequently, we are not expressing an opinion of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the aforesaid in the previous paragraph, based on our review, nothing has come to our attention which would cause us to believe that the above financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Without qualifying our above conclusion, we draw attention to Note 1b of the interim consolidated financial statements regarding the Company's operations and losses, as well as to the Management's estimations regarding meeting the financial covenants with the banks, and its plans in that regard.

Haifa, Israel — ***KOST FORER GABBAY & KASIERER***
May 18, 2014 — **Certified Public Accountants**

Consolidated balance sheets

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
	Unaudited	Unaudited	Audited
	Dollars thousands		
Current assets			
Cash	3,878	5,286	6,697
Investments in securities available for sale	420	323	420
Trade receivables, net	13,498	18,394	13,691
Other receivables	2,942	2,804	2,711
Inventory	15,212	13,968	12,622
	35,950	40,775	36,141
Assets held for sale (see Note 4)	-	200	-
	35,950	40,975	36,141
Non-current assets			
Property, plant and equipment, net	26,798	28,359	27,984
Inactive assets (see Note 5)	2,519	2,658	2,555
Goodwill and intangible assets, net	681	977	742
Software, net	309	266	329
Deferred taxes, net	2,825	2,630	2,825
	33,132	34,890	34,435
	69,082	**75,865**	**70,576**

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

Consolidated balance sheets

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
	Unaudited	Unaudited	Audited
	Dollars thousands		
Current Liabilities			
Bank credit	8,909	10,293	9,938
Trade payables	12,760	10,763	11,250
Other payables	3,129	4,460	3,058
	24,798	25,516	24,246
Non-current liabilities			
Long-term loans from banks and vendors	15,192	18,636	16,342
Liabilities for bank options	165	370	67
Liabilities for benefits to employees, net	731	541	689
Long-term payables	1,161	-	1,478
Deferred Taxes	-	255	-
	17,249	19,802	18,576
Equity attributed to the Company's shareholders			
Share capital	20,281	19,818	19,995
Additional paid-in capital	107,390	107,348	107,444
Capital reserve for actuarial losses	(928)	(817)	(928)
Accumulated deficit	(92,561)	(88,698)	(91,772)
Treasury shares	(7,408)	(7,408)	(7,408)
Capital reserve for financial assets available for sale	(44)	(118)	(44)
Capital reserve for hedging transactions	33	-	-
Other capital reserves	272	422	467
Total equity	27,035	30,547	27,754
	69,082	**75,865**	**70,576**

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

May 18, 2014			
Date of approval of the financial statements	**Arnon Tieberg Chairman of the Board**	**Gil Shimon CEO**	**Eliezer Parnafes CFO**

Consolidated statements of income

	For the three months ended March 31,		For the year ended December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Sales	22,029	20,768	82,912
Cost of sales	17,606	17,271	68,086
Gross profit	4,423	3,497	14,826
Development expenses, net	1,127	1,156	4,446
Selling and marketing expenses	2,574	2,071	8,962
General and administrative expenses	907	725	3,660
Other expenses (income)	6	-	(189)
Operating loss	(191)	(455)	(2,053)
Financing income	109	61	377
Financing expenses	(707)	(397)	(2,125)
Financing expenses, net	(598)	(336)	(1,748)
Loss before taxes on income	(789)	(791)	(3,801)
Tax benefit (expenses)	-	55	639
Loss from continuing operations	(789)	(736)	(3,162)
Income (loss) from discontinued operations, net	-	370	(271)
Loss	(789)	(366)	(3,433)
Earnings (losses) per share attribute to the Company's shareholders (in dollars)			
Basic and diluted losses per share from continued operations	(0.12)	(0.11)	(0.48)
Basic and diluted earnings (losses) per share from discontinued operations	-	0.06	(0.04)
Basic and diluted losses per share	(0.12)	(0.05)	(0.52)

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

Consolidated statements of comprehensive income

	For the three months ended March 31		For the year ended Dec. 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Loss	(789)	(366)	(3,433)
Other comprehensive loss (after the effect of the tax):			
Amounts that will not be restated thereafter to the statements of income:			
Actuarial loss from defined benefit plans	-	-	(118)
Subtotal of items that will not be restated thereafter to the statements of income	-	-	(118)
Subtotal of items that will be restated or are restated to the statements of income provided that specific terms are met:			
Transfer to income for cash flow hedging transactions	-	(55)	(55)
Income for cash flow hedging transactions	33	-	-
Income for investments in securities available for sale	-	-	74
Subtotal of items that will be restated or are restated to the statements of income	33	-	19
Total other comprehensive income (loss)	33	(55)	(99)
Total comprehensive loss relating to the Company's shareholders	(756)	(421)	(3,532)

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

Consolidated statements of changes in shareholders' equity

	Relating to the Company's shareholders								
	Share capital	Additional paid-in capital	Capital reserve for actuarial losses	Accum. deficit	Treasury shares	Capital reserve for financial assets available for sale	Capital reserve for hedging transactions	Other capital reserves	Total equity
	Dollars thousands								
Balance as at January 1, 2014 (Audited)	19,995	107,444	(928)	(91,772)	(7,408)	(44)	-	467	27,754
Loss	-	-	-	(789)	-	-	-	-	(789)
Total other comprehensive income	-	-	-	-	-	-	33	-	33
Share-based payment for employees and directors	-	37	-	-	-	-	-	-	37
Allocation of shares for the consultant	286	(91)	-	-	-	-	-	(195)	-
Balance as at March 31, 2014	20,281	107,390	(928)	(92,561)	(7,408)	(44)	33	272	27,035

	Relating to the Company's shareholders								
	Share capital	Additional paid-in capital	Capital reserve for actuarial losses	Accum. deficit	Treasury shares	Capital reserve for financial assets available for sale	Capital reserve for hedging transactions	Other capital reserves	Total equity
	Dollars thousands								
Balance as at January 1, 2013 (Audited)	19,818	107,321	(817)	(88,332)	(7,408)	(118)	55	380	30,899
Loss	-	-	-	(366)	-	-	-	-	(366)
Total other comprehensive loss	-	-	-	-	-	-	(55)	-	(55)
Share-based payment for employees and directors	-	27	-	-	-	-	-	-	27
Share-based payment for the consultant	-	-	-	-	-	-	-	42	42
Balance as at March 31, 2013	19,818	107,348	(817)	(88,698)	(7,408)	(118)	-	422	30,547

	Relating to the Company's shareholders								
	Share capital	Additional paid in capital	Capital reserve for actuarial losses	Accum. deficit	Treasury shares	Capital reserve for financial assets available for sale	Capital reserve for hedging transactions	Other capital reserves	Total Equity
	Dollars thousands								
Balance as at January 1, 2013	19,818	107,321	(810)	(88,339)	(7,408)	(118)	55	380	30,899
Loss	-	-	-	(3,433)	-	-	-	-	(3,433)
Total other comprehensive income (loss)	-	-	(118)	-	-	74	(55)	-	(99)
Share-based payment for employees and directors	-	90	-	-	-	-	-	-	90
Allocation of shares for the consultant	177	33	-	-	-	-	-	(210)	-
Share-based payment for the consultant	-	-	-	-	-	-	-	297	297
Balance as at December 31, 2013	19,995	107,444	(928)	(91,772)	(7,408)	(44)	-	467	27,754

Consolidated statements of cash flows

	For the three months ended March 31,		For the year ended December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Cash flows from operating activities:			
Loss	(789)	(366)	(3,433)
Reconciliations required to present cash flows from operating activities:			
Adjustments to statement of income items:			
Depreciation and amortization:			
Depreciation and amortization of fixed assets and intangible assets	1,354	1,168	5,158
Increase in provision for impairment of fixed assets, non-current assets held for sale and intangible assets	-	294	294
Income from disposal of fixed assets	-	-	(78)
Cost of share based payments	37	115	527
	1,391	1,577	5,901
Loss from impairment of inventory	200	241	1,177
Change in deferred taxes, net	-	(26)	(499)
Change in liabilities for benefits to employees, net	42	(55)	(25)
Change in fair value of liabilities for bank options	98	52	(251)
Taxes on income	90	2	114
Financing expenses, net	428	297	1,209
	858	511	1,725
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables	193	(38)	4,665
Decrease (increase) in other receivables	(198)	81	80
Decrease (increase) in inventory	(2,790)	907	1,225
Increase (decrease) in trade payables	1,592	(1,724)	(2,315)
Increase (decrease) in other payables	71	73	(854)
	(1,132)	(701)	2,801
Cash paid and received during the period for:			
Interest paid	(412)	(271)	(1,104)
Interest received	5	5	20
Taxes paid	(90)	(2)	(126)
Taxes received	-	-	12
	(497)	(268)	(1,198)
Net cash provided from (used in) operating activities	(169)	753	5,796

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

Consolidated statements of cash flows

	For the three months ended March 31,		For the year ended December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Cash flows from investing activities:			
Acquisitions of fixed assets	(450)	(247)	(1,375)
Acquisitions of intangible assets	-	-	(134)
Proceeds from disposal of fixed assets	-	-	373
Net cash used for investing activities	(450)	(247)	(1,136)
Cash flows from financing activities:			
Short term bank credit, net	(883)	489	466
Repayment of long term loans	(1,317)	(1,295)	(4,015)
Net cash used for financing activities	(2,200)	(806)	(3,549)
Increase (decrease) in cash and cash equivalents	(2,819)	(300)	1,111
Balance of cash and cash equivalents at beginning of period	6,697	5,586	5,586
Balance of cash and cash equivalents at end of period	3,878	5,286	6,697

	For the three months ended March 31,		For the year ended December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
a) Non-cash significant transactions			
Acquisitions of assets on credit	-	-	2,081

The accompanying notes are an integral part of the interim consolidated financial statement

Note 1 - General

a. These financial statements were prepared in a condensed form as at March 31, 2014 and for the three months period then ended (hereinafter - "interim consolidated financial statements"). These statements should be read together with Tefron Ltd.'s (hereinafter- “the Company”) annual financial statements as at December 31, 2013 and for the year then ended, and the notes accompanying them (hereinafter -"annual financial statements").

b. During the three-month periods ended March 31, 2014 and for the year that ended at December 31, 2013, the Company recorded losses of 789 thousand dollars and 3,433 thousand dollars respectively.

On March 27, 2014, the Company and the banks signed on an appendix to the amendment to the financing agreement, in the framework of which, amongst else, the financial covenants the Company is obligated to meeting, were amended (see Note 5b, as follows).

As at March 31, 2014, the Company meets all the financial covenants that have been determined in the appendix to the amendment to the financing agreement, as aforementioned.

The Company’s management estimates that as of the date of signing this report, the chance of the Company meeting the amended financial covenants as aforementioned and its obligations in the coming year, is greater than 50%, however, there is no certainty of that, since the latter is subjected to events occurring in the future.

Note 2 - Significant accounting principles

a. Form of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Financial Reporting for Interim Periods", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) -1970.

b. **New IFRS which were implemented by the Company for the first time**

The accounting policy used in preparing the interim consolidated financial statements is consistent with the one used in preparing the annual financial statements.

Amendments to IAS 32 - financial instruments: presentation, in regards with financial assets and liabilities offsetting

The IASB has published amendments to IAS 32 (hereinafter –“the amendments to IAS 32”) on the subject of offsetting financial assets and financial liabilities. The amendments to IAS 32 clarify, *inter alia*, the meaning of the term “currently existing in a legal right which can be enforced for a set off” (hereinafter – “the right of set-off”). The amendments to IAS 32 stipulate, *inter alia*, that the right set-off must be legally enforced not only in the normal course of business of the parties to the contract but also in the event of bankruptcy or solvency by one of the parties. In addition, the amendments to IAS 32 stipulate that in order for the right to set off to exist immediately, it must not be dependent on a future event or that there will be periods of times in which it will not apply, or that there will be events which will cause its expiry.

The implementation of the amendments has had no significant effect on the Company.

<u>Note 3 – Seasonality</u>

The Company does not identify any seasonality which might have an effect on the Company.

<u>Note 4 – Discontinued operations</u>

On March 20, 2013, the Company and Macro Clothing Ltd. (hereinafter – “the seller”), a subsidiary of the Company, signed on an agreement with Gottex Swimwear Brands Ltd. (hereinafter – “the purchaser”), in the framework of which the seller has sold the purchaser its operations in the field of developing, manufacturing and marketing of beachwear and swimwear, including the intellectual property and goodwill of the seller in regards to the aforementioned operations, the client and suppliers list, and all of the seller’s rights in the incorporated companies in Hong Kong and China (hereinafter: “the agreement” or “the transaction” and “the operations”, respectively).
Furthermore, the agreement includes clauses regarding non-competition by the seller or any of the companies related to it in the field of swimwear, for a limited period of time, as well as clauses regarding indemnity the purchaser would be entitled to from the seller for damages that might be caused to it due to false presentations, and/or legal claims, and/or demands by any third party, and all of the above as detailed in the agreement.
On November 14, 2013, the seller completed its engagement in the agreement, in return for the sum of US 280 thousand dollars.
It should be noted that the proceeds resulting from the agreement, were used on November 18, 2013, for an early repayment of the Company’s credit at the Company’s financing banks (Bank Hapoalim Ltd., Bank Leumi Le-Israel Ltd. and Israel Discount Bank Ltd.), respectively to the share of each bank as was determined in the agreement of re-organization of credit terms which was signed between the Company and its financing banks on March 2, 2010 (and as it was amended occasionally).

Furthermore, on September 30, 2013, and October 1, 2013, the seller repaid US 513 thousand dollars and US 487 thousand dollars respectively, as part of its obligations to the lending banks, according to which upon the completion of the transaction of selling the operations, the seller shall repay a total sum of one million dollars at the expense of long term credit.

Note 4 – Discontinued operations (cont.)

The following are the details regarding the operations' results relating to the discontinued operations:

	For the three months ended March 31,		For the year ended December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Sales	-	5,890	8,190
Cost of sales	-	4,149	6,207
Gross profit	-	1,741	1,983
Selling and marketing expenses	-	850	1,508
General and administrative expenses	-	113	292
Other expenses	-	294	218
Operating profit (loss)	-	484	(35)
Financing expenses, net	-	114	(215)
Taxes on income	-	-	(21)
Net profit (loss) relating to discontinued operations	-	370	(271)

The following is the data regarding the cash flows, net, relating to the discontinued operations, and originated from (used for) the discontinued operations:

	For the three months ended March 31,		For the year ended December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Operating	-	704	(17)
Investing	-	-	280

The following is the data regarding the balances of other comprehensive loss, net, attributed to the Company's shareholders, which were recorded to the Shareholders' equity, relating to the discontinued operations:

	March 31,		December 31
	2014	2013	2013
	Unaudited		Audited
	Dollars thousands		
Actuarial loss from defined benefit plan	-	-	(73)

Note 5 – Additional significant events during the period of the report

a. Termination of the agreement with Cifra S.P.A

On January 8, 2014, Cifra S.P.A (hereinafter: "Cifra") announced the termination of the engagement with the Company as of April 1, 2014.

To the best of the Company's knowledge, Cifra S.P.A is a world-wide leading manufacturer in the warp knitting field – flat knitting using the Seamless technology, and in January 2012 the Company and Cifra signed a cooperation agreement. In the framework of the cooperation, Cifra and the Company developed and designed together while using the flat knitting technology, products in the activewear and apparel field. The termination of the agreement is in accordance with the agreement's terms. It is noted that in practice, the actual volume of sales through the agreement is not material, and the parties are reviewing the manner in which they might continue their cooperation.

b. The amendment to the agreement with banks

In continuation of the agreement that was signed between the Company and the banks on March 2, 2010, which included the reorganization of credit financing that the banks had provided to the Company, and was amended on December 24, 2010, the Company signed on an additional amendment to the agreement on March 27, 2014. In the framework of the amendment to the agreement the following changes in the following clauses were noted:

The following are the summery of the material amendment provisions to the financing agreement:

1. Amendment to some of the financial covenants

1.1. Shareholders' equity- The rate of tangible shareholders' equity to the total balance sheet will not be less than 30%; but in any case, the tangible shareholders' equity defined in the agreement will not be less – at any time – than the amounts stated below:

1.1.1 As of the date of signing the amendment to the financial agreement – US 25.5 million dollars.

1.1.2 As of 31.12.2015 - US 26 million dollars.

1.1.3 As of 31.12.2016 – US 26.5 million dollars.

1.1.4 As of 31.12.2017 and thereafter - US 27.5 million dollars.

"Tangible shareholders' equity": The total paid up share capital in addition with the capital reserves and the balance of the retained earnings, as well as the balance of the owners' loans for which subordination was signed to the banks by the Company and its shareholders, in addition of its liabilities for options that were granted and/or shall be granted to the banks, less intangible assets (such as goodwill, copyrights, patents, trademarks and trade names etc.), less the treasury shares and receivables who are interested parties in the Company and/or its subsidiaries and/or related companies (as those are defined in the Securities Law- 1968).

Note 5 – Additional significant events during the period of the report (cont.)

b. The amendment to the agreement with banks (cont.)

1. Amendment to some of the financial covenants (cont.)

1.2. The balance of trade receivables in accordance to the financial statements of the Company, will not be less than a total sum of US 11 million dollars.

1.3. The Company will be entitled to carry out factoring of a total sum that shall not exceed, at any time, the sum of US 2.5 million dollars.

1.4. The total amount of the balances of the Tefron Group's cash, inventory and trade receivables will not be less, at any time, than the total sum of US 30 million dollars.

1.5. The ratio between the Company's debt and EBITDA – as of 2016 and thereafter shall not exceed 5.

1.6. The current ratio (current assets divided by current liabilities) of the Company, according to its annual financial statements or quarterly reports, shall not be less than 1.2.

2. Additional amendments

2.1. Not to execute a change in the control of the Company in regards with the control structure (by Intimess Nouvelle Seamless Inc., Mivtach Shamir Holdings Ltd., Ben Lieberman and Martin Lieberman) as at 1.1.2014, and this without receiving the agreement of the banks in advance and in writing. In spite of the aforementioned, cumulative change whereas the holdings of the controlling shareholders as at 1.1.2014, shall not be less than 38.9% of the paid up share capital of the Company, shall not constitute a violation of this obligation.

2.2. Early repayment:

2.2.1. In any case in which the total cash flows surplus, according to the financial statements, will exceed the determining amount, then, a total comprising 60% (sixty percent) of the total difference between the surplus cash flows and the determining total, will be used as early repayment, according to the determining ratio, on account of the last payment of principal Loan A, as it may be from time to time.

"Surplus cash flows" – the total EBIDA of the aforementioned corporations according to the financial statements, in every calendar year (hereinafter: “calendar year”), less: (a) total repayment of principal loans of the aforementioned corporations from the aforementioned banks in a calendar year; (b) financing expenses in cash, including fees and exchange rate differences according to the financial statements of the calendar year; and (c) repayment on the account of the principal and interest for current debts arrangements.

“The determining amount” – US 4.5 million dollar.

Note 6 – Additional significant events during the period of the report (cont.)

b. The amendment to the agreement with banks (cont.)

2. Additional amendments (cont.)

2.2.2 On December 18 of every calendar year, the Tefron Group obligates to repay by an early repayment, at the expense of long term credit, the following sums:

2.2.2.1 On 18.12.2015, an early repayment on the sum of US 300 thousand dollars.

2.2.2.2 On 18.12.2016, an early repayment on the sum of US 400 thousand dollars.

2.2.2.3 On 18.12.2017, and on December 18 of each calendar year thereafter, an early repayment on the sum of US 500 thousand dollars.

2.3. Current investments – The Tefron Group shall not carry out investments in current assets, including in the normal course of business, in an annual aggregate amount, relating to of Tefron Group as a whole, exceeding the sum detailed as follows:

2.3.1 In each of the years of 2014 and 2015, a sum of US 3 million dollars, in a cumulative calculation over two years.

2.3.2 In each of the years as of 2016 and thereafter, a sum of US 2 million dollars, in a cumulative calculation over two years.

2.4. In addition to the amendment to the financing agreement, it was agreed upon with the banks on the following: (a) reducing by US 1 million dollars the sums of the short term credit lines in the banks, and it shall be US 9.75 million dollars (b) to allocate to the banks (in accordance with the determining ratio), without a return, a total sum of 300,000 options, non-negotiable, non-transferable and which can be exercised to shares of NIS 10 par value each of the Company, in accordance with the cash less mechanism, against payment of an exercise price of US 2.5 dollars per share. The options shall be excersiable (fully or partially) until December 31, 2019. The terms of the options shall be as detailed in the acceptable option warrant terms, as it shall be agreed upon between the Company and the banks. It is noted that the allocation of the options is subject to receiving all the appropriate approvals required by law (including the approval of the Stock Exchange to list the shares that shall arise from the exercise of the options in the Stock Exchange). Passed to the allocation of the options, as aforesaid, 200,000 options which were allocated to the banks on October 11, 2011, and that have yet to expire, shall expire.

c. Granting options to the banks

On March 27, 2014, the Company’s Board of Directors approved the granting of 300,000 cash less options to the banks, as detailed in Note 5b(2.4) above. As of March 31, 2014, the value of the benefits inherent in granting these options aggregated 165 thousand dollars and was recorded as a liability for options to banks, against financing expenses. This liability is measured periodically, according to the option evaluation model.

d. Granting options to an officer

On March 27, 2014, the Company’s Board of Directors approved the granting to the Deputy VP of Business development, who is not an interested party in the Company and will not become an interested party in the Company after the grant, 32,500 option warrants, which can be exercised to shares of NIS 10 par value each of the Company, in accordance with the cash less mechanism. The exercise price for each option will stand at 3.2 dollars. The entitlement to exercise the options vests over a three-year period as of the date of the granting, in accordance with the option plan of the Company. The benefit value inherent in granting these options, in accordance with the price of the share, on the date of trading on the Stock Exchange, aggregated an amount of 8 thousand dollars.

Note 6 - Operating segments

In light of the decision of the discontinuation of the production in the Cut & Sew field in Israel, and the discontinuation of the swimwear operations, the scope of operations of the Cut & Sew field has diminished significantly, and so it no longer meets the definition of a reportable operating segment. Since January 1, 2014, the Chief Operating Decision Maker (CODM hereinafter: " the Company's CEO ") reviews the consolidated financial data only and considers all the activities of the company as one segment - "Seamless".

The information that the Company provides in accordance with the IFRS 8 definitions is based on the available financial information which is reviewed regularly and is used by the Company's CEO so as to make decisions regarding the resources to be allocated to the segment and in order to evaluate the segment's performance. Based on the criteria in IFRS 8 regarding determining the reportable segment operations, and the available financial information which is reviewed by the Company's CEO, the Company has determined that it operates in one reportable operating segment.

Note 7 - Financial Instruments

a. Fair Value

The carrying amount of cash, trade receivables, other receivables, banks' credit and long-term loans, trade payables and other payables matches or approximates their fair value.

b. Classification of financial instruments by fair value levels:

	Level 2	Level 3	Total
	Dollars thousands		
Financial assets measured at fair value			
Investment in securities available for sale	-	420	420
Derivatives for forward transactions	46	-	46
	46	420	466
Financial liabilities measured at fair value			
Liabilities for bank options	(165)	-	(165)