Final Results

DEKEL AGRI-VISION PLC

Released 07:00:04 26 June 2020

RNS Number : 1464R
Dekel Agri-Vision PLC
26 June 2020

Dekel Agri-Vision Plc / Index: AIM / Epic: DKL / Sector: Food Producers

Dekel Agri-Vision Plc ('Dekel' or the 'Company')
2019 Final Results

Dekel Agri-Vision Plc, the West African focused agriculture company, is pleased to announce its audited results for the year ended 31 December 2019 ('Accounts').

Advancing a multistage portfolio of agriculture projects up the development curve

Production - palm oil project, Ayenouan Côte d'Ivoire

- 14% increase in Crude Palm Oil ('CPO') production to 37,649 tonnes (2018: 33,077 tonnes)
  - Follows 21% increase in Fresh Fruit Bunches ('FFB') delivered to mill to 176,019 tonnes (2018: 146,036 tonnes), as yields recovered from 2018's poor peak harvest season
- 15% increase in CPO sales to 37,713 tonnes (2018: 32,692 tonnes)
- Average realised sales price of €491 per tonne of CPO, a 9% reduction on 2018's €542 average
  - CPO prices rallied strongly to over US$850 per tonne in December 2019 but have since retraced back to as low as US$500 per tonne post period end in response to COVID-19 pandemic before stabilising at around US$610 today
- Ongoing roll-out of ESG initiatives included successful trial of fertiliser programme aimed at increasing yields and further strengthening Dekel's relationship with local smallholders

Development - cashew processing project at Tiebissou in Côte d'Ivoire

- Commencement of construction phase with first production expected in Q2 2021, at which point Tiebissou will be Dekel's second producing asset and provide exposure to global cashew market
  - Manufacturing of milling equipment in Italy now underway following suspension of activities due to COVID-19
  - Shipment of all infrastructure equipment consisting of 32 containers due for arrival in Côte d'Ivoire in July 2020

New Ventures

- JV signed with Green Enesys to explore feasibility of developing a hybrid power project comprised of a 30MW solar PV plant and a 5-6MW biomass plant using feedstock from Ayenouan
- Internal feasibility studies carried out on a number of potential new ventures in Côte d'Ivoire - one venture being actively considered as a new project for the Company
- New ventures proceeding cautiously due to COVID-19 uncertainty

Financial overview

- Revenue remained stable at €20.9m (2018: €20.9m) as increase in CPO production offset by the decrease in CPO prices

- Gross margin percentage also remained stable at 8.1% (2018: 8.3%) as lower raw material costs due to increased availability of fruit was offset by 8.0% lower CPO prices and 1.1 percentage point decrease in the CPO extraction rate
- 2.4% decrease in general administration expenses to €3.16m (2018: €3.24m)
- Positive EBITDA achieved of €0.2m (2018: €0.1m loss)
- Net loss of €3.3m in line with 2018 (2018: net loss of €3.3m)
- €7.2million 10-year senior secured loan facility entered into with AgDevCo Limited ('AgDevCo'), a UK Aid government-backed social impact investor in Africa's agriculture sector:
    - €6.2 million replaces an existing NSIA Bank loan
    - €1.0m for Environmental, Social and Governance ('ESG') activities and general working capital purposes
- The AgDevCo loan's four-year capital repayment holiday estimated to generate €5.8 million cash savings, after taking into account interest rate differential and transaction fees
- The Company has continued and is expecting to continue to meet the current repayment obligations with respect to AgDevCo. In terms of financial covenants the lender is considering providing a waiver during these unprecedented market conditions
- The credit rating agent for West Africa, Bloomfield Investment Corporation renewed the Company's credit rating unchanged as investment grade: long term BBB- and short term A3 on 15 June 2020

Dekel Executive Director Lincoln Moore said, *"Set against the backdrop of a second consecutive year of lower global palm oil prices the Company is continuing to navigate its way through what has been a highly challenging trading period for the whole industry. Dekel is a growth company with a multi-stage portfolio of agriculture projects. We employ hundreds of local workers across our projects in Côte d'Ivoire, and we provide an outlet for the produce of thousands of smallholders and co-operatives in the region. We recognise our responsibilities to both our shareholders and the local communities in which we operate. Having reported double-digit increases in full year production and sales and having secured substantial cash savings via the AgDevCo refinancing, we have shown that Dekel Agri-Vision can successfully trade and navigate through such a difficult environment.*

"We believe the year ahead will serve to demonstrate that Dekel Agri-Vision is both a resilient and a growing business. Resilient because, despite COVID-19 and the associated downturn, we expect the business to report improved financial results. Growing because in H1 2021, we expect to bring our second producing project, the large-scale cashew processing project at Tiebissou on stream. Providing not only a second material revenue stream but also exposure to a new commodity and end markets, Tiebissou will transform Dekel into the diversified agriculture group we are looking to build. We have a pipeline of exciting new ventures that match both our investment and social criteria and once Tiebissou is in production we will have the platform with which to monetise this and grow the Company further. Despite the unprecedented challenges and uncertainties caused by COVID-19, we are confident for the future and I look forward to providing further updates on our progress during the year ahead."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR'). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

ENDS

For further information please visit the Company's website at www.dekelagrivision.com or contact:

Dekel Agri-Vision Plc +44 (0) 207 236 1177
Youval Rasin
Shai Kol
Lincoln Moore

Arden Partners Plc (Nomad and Joint Broker) +44 (0) 207 614 5900
Paul Shackleton / Ruari McGirr /
Dan Gee-Summons (Corporate Finance)
Simon Johnson (Corporate Broking)

Optiva Securities Limited (Joint Broker) +44 (0) 203 137 1903
Christian Dennis
Jeremy King

St Brides Partners Ltd (Investor Relations) +44 (0) 207 236 1177
Frank Buhagiar
Cosima Akerman
Megan Dennison

CHAIRMAN'S STATEMENT

The list of highlights to open this year's Chairman's Statement was as long as we had hoped it would be at the start of 2019.

- The corporate name change to Dekel Agri-Vision ("Dekel"), an identity that better reflects our objective to build a West African focused multi-commodity, multi-project agriculture company that places local smallholders and communities at the centre of operations;
- a 14% increase in annual crude palm oil ("CPO") production to 37,649 tonnes at our 100% owned project at Ayenouan in Côte d'Ivoire;
- an over 50% increase in global CPO prices to over US$850 per tonne in the last 8 weeks of 2019;
- the refinancing of long-term debt on improved terms with AgDevCo, a UK government-backed social impact investor in the African agriculture sector;
- the roll-out of various ESG initiatives;
- the commencement of the development of our cashew processing project at Tiebissou, Côte d'Ivoire.

In the event, none of the above secured top billing. Instead, this year's Chairman Statement opens with a post period event that is still ongoing, the coronavirus pandemic. The all-encompassing nature of COVID-19 and the measures being taken by governments across the world to suppress it, have disrupted societies, sectors and businesses all over the world in a way that has not been experienced for generations. The global palm oil industry has been no exception.

With countries in lockdown, global demand for palm oil and more specifically the everyday food and personal care products that palm oil is used in has contracted sharply, resulting in CPO prices falling. Rather than heralding a return to historic averages, the US$850 plus CPO prices have proved to be temporary with global benchmarks retrenching to the US$500 level they traded at for most of 2018 and 2019. As recently as January, we were expecting Ayenouan's 2020 EBITDA and profits after tax to at least challenge 2017's record of €4.5m and €1.6m respectively. With prices threatening to retest last year's cyclical lows on the back of lower global demand for CPO, 2017's record profits will remain intact for another year. At the time of preparing this report we have seen international prices rebound to around US$600 and there are reasons to be optimistic that prices may improve further as key buying countries, most notably India and China, begin to restock CPO supplies over the next 6-12 months.

Our priority during the period ahead remains to continue operating our CPO production mill at Ayenouan as efficiently as possible, while at all times ensuring the safety and wellbeing of our staff on the ground and the communities in which we operate. With this in mind, we take great pride in Dekel being one of the few businesses not to have reduced local staffing levels during the crisis. Employing over 300 staff and working closely with thousands of smallholders, we take our responsibility to our local communities seriously and in line with this we adhere to the latest COVID-19 guidelines and advice of the government of Côte d'Ivoire.

At the time of writing, Côte d'Ivoire has escaped the worst of the pandemic in terms of lockdown impacts and as a result, operations at both Ayenouan and at Tiebissou where we are constructing a large-scale cashew processing project with the objective of being operational in Q2 2021, have been able to continue with minimal disruption. So too has the desktop work we have carried out to evaluate the feasibility of potential new projects.

Ayenouan Palm Oil Project

At the beginning of the year under review, management was hopeful that fruit yields and global CPO prices would bounce back strongly from 2018's lows. Forecasts that the poor peak harvest season in 2018 would revert to an improved 2019 proved correct with fresh fruit bunches delivered to the mill for processing during 2019 up 21% to 176,019 tonnes, which in turn fed through to a 14% year on year increase in CPO production to 37,649 tonnes and a 15% increase in CPO sales to 37,713 tonnes.

Global CPO prices took longer to recover and spent much of the year trading at around €500 per tonne, briefly dipping below this level in the summer months. In the second half, it became clear that concerns over a supply glut that had weighed heavily on prices were overdone as international stock levels of CPO decreased. Together with new initiatives in south east Asia to increase biodiesel production, of which CPO is a key feed stock, prices rose strongly during the latter months, so much so that they finished the year around the €800 per tonne level. Due to the five weeks it takes for local pricing to reflect moves in global benchmarks, the strong bounce in prices was too late to have a positive impact on the average CPO price for the year, which came in at €491 per tonne, a 9% reduction on 2018's average of €542 per tonne. As a mark of how challenging trading conditions have been, the average CPO prices for 2018 and 2019 rank as among the worst in the last 15 years.

Faced with such a challenging pricing environment, our focus at Ayenouan has been on costs and efficiency. Importantly, this has not come at the expense of Dekel's ESG credentials. ESG has always been front and centre of Dekel's activities. Our collaborative business model is one that is centred on working closely with local smallholders and communities who grow and deliver fruit to our mill for processing. Our ESG initiatives do not begin and end with our business model. In terms of the environment, we have been working hard to secure RSPO (Roundtable for Sustainable Palm Oil) certification for Ayenouan. This process is continuing to advance. An audit and final confirmation of our operations had been due to take place this year but we expect some form of delay due to the pandemic. We are confident that once the virus subsides, the well-advanced certification process can be taken through the final phases of audit resulting in its completion as soon as possible. RSPO is recognised globally as a certification standard for sustainable palm oil and becoming a certified producer would therefore be a major milestone for the Company which has been a RSPO member since 2008.

In terms of social impact initiatives at Ayenouan, the year under review saw Dekel trial with over 250 smallholders a sustainable financing solution focused on enabling farmers to acquire and apply fertiliser during periods of low as well as high fresh fruit bunch ("FFB") prices. With the application of fertiliser and best management practice, we estimate farmers can potentially double their yields. Our financing solution is not based on grants or long-term loans. Rather, a gradual increase in the fertilisation programme is recovered on a monthly basis from FFB delivered to the mill which helps to keep funds loaned to farmers to a manageable level. It also encourages farmers to deliver FFB to our mill to continue to gain access to the fertiliser programme. By strengthening our relations with the farmers and gradually increasing yields in our region, we believe the programme demonstrates that social impact initiatives and commercial activities can go hand in hand. We are gradually increasing the programme in 2020 and are seeking to scale up even further in the years to come.

Tiebissou Cashew Project

It has always been our intention to scale up and diversify our revenues by adding additional agriculture projects to our portfolio. In line with this, 2019 saw work commence on the construction of an initial 10,000 tpa cashew processing project at Tiebissou in Côte d'Ivoire, which once operational will become Dekel's second producing asset. Currently, Dekel holds a 43.8% interest, together with an option to acquire an additional 20% stake. See Note 5 for further details.

Tiebissou will adopt the same collaborative model as Ayenouan, whereby a state-of-the-art plant will be constructed to process raw cashew nuts ("RCN") grown by local smallholders and co-operatives. Côte d'Ivoire is a leading cashew nut producer, but only processes 10-15% of RCNs grown in the country. Much of the value associated with processing nuts is therefore not retained in the country. Tiebissou is a region where we believe there is a significant shortfall in processing capacity and our project will help to fill this by providing smallholders with an outlet for their produce.

Work at the site at Tiebissou has been able to continue with minimal disruption, though COVID-19 has pushed back the date of the commissioning of the processing mill at Tiebissou by an estimated three months. Originally targeted to commence in January 2021, first production is now expected in Q2 2021 after the manufacturing of the milling equipment in Italy was suspended due to the severity of the outbreak in that country. Post period end in May 2020, we were pleased to announce that manufacturing of the equipment has resumed, and that infrastructure equipment is currently en route from China to Côte d'Ivoire. Importantly, the delay in first production is not expected to prevent the project from capitalising on at least some of the 2021 peak cashew season in Côte d'Ivoire which typically runs from February to May. Unlike palm fruit which perishes within days, raw cashew nuts can be purchased and stored for months allowing processing to take place throughout the year. We will therefore look to secure supplies during the 2021 peak season for processing throughout the year. Benefiting from expected comparatively strong margins, we anticipate processing cashews at Tiebissou has the potential to deliver higher EBITDA margins once the operation moves into a position of steady state production which we hope will be achieved in a matter of a few months post first production.

Other projects

With palm oil production at Ayenouan firmly established and cashew processing at Tiebissou due to commence in Q2 2021, we have been working hard to put in place a pipeline of potential new projects that match our investment and ESG criteria to grow the Company further. One such new venture is the development of a 35-36MW hybrid power project ('HCTPP'), potentially in Ayenouan. In December 2019, we signed a joint venture agreement with Green Enesys Holdings Ltd. ("GEH"), an established renewable energy company which has developed over 490MW of solar PV projects all over the world. GEH is currently undertaking a feasibility study on the construction of an initial HCTPP in Côte d'Ivoire comprising a 30MW solar PV plant and a 5-6MW biomass plant using feedstock from Dekel's Ayenouan project, specifically empty fruit bunches from the mill. Concurrently, discussions with the government regarding the application and permitting process have progressed well. Government direction has been to present a proposal supporting an application for a permit initially focused on the 5-6MW biomass project. However, given the macro uncertainty at present we are proceeding cautiously in order to preserve funding for our existing projects.

Internally, we have also been carrying out feasibility studies on a number of potential new ventures in Côte d'Ivoire. Early indications are that at least one of these warrants further consideration. It is worth noting that any new projects will be progressed slowly, particularly during the current global crisis, and that our full focus remains on optimising the palm oil operations at Ayenouan and progressing the Tiebissou cashew project to first production.

Financial

During the year under review, total revenues at Ayenouan were €21m (2018: €20.9m) which generated EBITDA (excluding share based compensation) of €0.2m (2018: EBITDA loss of €0.1m) and a loss after tax of €3.4m (2018: net loss after tax of €3.3m). The financial performance for the year was largely determined by a sustained period of low CPO prices which, for the majority of the year, continued to trade at cyclical lows. As described earlier, the average CPO price achieved during the year was €491 per tonne, a 9% reduction on 2018's average of €542. 2019's average has resulted in CPO prices trading well below historic levels of c. €700 per tonne for the last two years. Such was the discount to historic average prices, that the low prices more than offset the recovery seen in CPO volumes. During 2019, the mill at Ayenouan produced 37,649 tonnes of CPO, a 14% increase on 2018, while year on year sales increased 15% to 37,712 tonnes.

year sales increased 15% to 37,713 tonnes.

The low-cost nature of our operations at Ayenouan and the tight management of our cost base at the corporate level where general administration expenses in 2019 were 2.2% lower than the previous year, have proved to be essential in the challenging pricing environment which has affected all operators in the region.

In July 2019, we announced a refinancing of long-term debt on much improved terms via a €7.2million 10-year senior secured loan facility with AgDevCo, a UK government-backed social impact investor in Africa's agriculture sector. €6.2 million of the AgDevCo loan facility replaced an existing NSIA Bank loan while €1.0 million will support the Company's ESG activities and general working capital purposes. The ESG activities include an enhanced traceability programme and finalisation of the RSPO certification process that is currently underway at the Company's palm oil operations at Ayenouan. Such are the benefits of the refinancing that we estimate the four-year capital repayment holiday included in the AgDevCo loan will generate €5.8 million cash savings, after taking into account the interest rate differential and transaction fees. In addition to the loan facility, AgDevCo subscribed to €1.5 million of new ordinary shares in Dekel. The Company raised a further £0.77 million (before expenses) via the placing of 25,788,194 new ordinary shares in August 2019. A total of 69,723,361 new ordinary shares were issued via the AgDevCo equity investment and placing.

Largely due the the AgDevCo refinancing and equity investment, net assets increased to €12.8m (2018: €11.6m). Net current liabilities also decreased by €0.3m. To continue Dekel's ongoing programme to strengthen its balance sheet during uncertain times and position the Company to execute on its growth plans, it is the Board's intention to refinance a large portion of the current and long term debt into a longer tenure facility during the second half of 2020. The Company is progressing well with a long term debt provider and we look forward to updating shareholders as appropriate, in due course.

Outlook

There has been much to cover in this latest Chairman's Statement for 2019, however the advent of COVID-19 at the beginning of the current year and the effects of ongoing efforts around the world to curb it have not only necessitated comment in today's report but threaten to frame the content of future statements. We know the sharp reversal seen in CPO prices following the spread of COVID-19 will prevent our Ayenouan palm oil operation achieving the levels of EBITDA we had expected at the start of the year, however, despite the macro challenges, we currently remain on track to report a positive half year EBITDA for 2020. In addition, the advancement of our cashew project and the fertiliser programme at Ayenouan remain intact and so will provide us with the platform for growth we set out to put in place.

Our immediate focus will be of course to ensure the safety and wellbeing of all our staff and partners and to continue to operate as efficiently and cost effectively as possible at Ayenouan. At the same time, we have a defined and deliverable strategy with which to build a large-scale agriculture group with sustainable and diversified revenue streams. I am confident the next 12 months will see further progress made towards achieving our corporate objectives.

I would like to thank the Board, management, our employees and advisers for their support and hard work over the course of the year and wish all those connected with the Company well during this challenging period.

Andrew Tillery
Non-Executive Chairman

Date: 25 June 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December	
		2019	**2018**
	Note	**Euros in thousands**	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		273	262
Inventory		917	1,543
Accounts and other receivables	4	69	420
Total current assets		1,259	2,225
NON-CURRENT ASSETS:			
Property and equipment, net	6	30,308	31,172
Investment in an associate	5	1,998	-
Total non-current assets		32,306	31,172

Total assets	33,565	33,397

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2019	2018
		Euros in thousands	
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Short-term loans and current maturities of long-term loans	9	3,829	4,251
Trade payables		680	665
Advance payments from customers		1,169	2,471
Other accounts payable and accrued expenses	7	1,016	596
Total current liabilities		6,694	7,983
NON-CURRENT LIABILITIES:			
Long-term lease liabilities	8	90	94
Accrued severance pay, net		33	32
Long-term loans	9	13,963	13,712
Total non-current liabilities		14,086	13,838
Total liabilities		20,780	21,821
EQUITY	10		
Share capital		141	99
Additional paid-in capital		34,368	29,862
Accumulated deficit		(16,502)	(13,163)
Capital reserve		2,532	2,532
Capital reserve from transactions with non-controlling interests		(7,754)	(7,754)
Total equity		12,785	11,576
Total liabilities and equity		33,565	33,397

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019	2018
		Euros in thousands (except share and per share amounts)	
Revenues	11	20,947	20,885
Cost of revenues	14a	19,252	19,152
Gross profit		1,695	1,733
General and administrative	14b	3,158	3,235
Operating loss		(1,463)	(1,502)
Finance cost	14c	1,829	1,738
Loss before taxes on income		(3,292)	(3,240)
Taxes on income	13	47	43
Loss and total comprehensive loss		(3,339)	(3,283)
Loss per share			
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average number of shares used in computing basic and diluted income (loss) per share		379,838,186	299,119,461

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital	Additional paid-in capital	Accumulated deficit	Capital reserve	Capital reserve from transactions with non-controlling interests	Total
	Euros in thousands					
Balance as of 1 January, 2018	99	29,669	(9,880)	2,532	(7,754)	14,666
Loss and total comprehensive loss	-	-	(3,283)	-	-	(3,283)
Issuance of shares (Note 10)	*)	33	-	-	-	33
Exercise of options (Note 10)	*)	-	-	-	-	*)
Share-based compensation	-	160	-	-	-	160
Balance as of 31 December 2018	99	29,862	(13,163)	2,532	(7,754)	11,576
Loss and total comprehensive loss	-	-	(3,339)	-	-	(3,339)
Issuance of shares (Note 10)	42	4,186	-	-	-	4,228
Exercise of options (Note 10)	*)	-	-	-	-	*)
Share-based compensation	-	320	-	-	-	320
Balance as of 31 December 2019	141	34,368	(16,502)	2,532	(7,754)	12,785

*) Represents an amount lower than €1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2019	2018
	Euros in thousands	
Cash flows from operating activities:		
Loss	(3,339)	(3,283)
Adjustments to reconcile loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation	1,357	1,318
Share-based compensation	320	160
Accrued interest on long-term loans and non-current liabilities	1,306	1,265
Change in employee benefit liabilities, net	1	(5)
Changes in asset and liability items:		
Decrease (increase) in inventories	626	(174)
Decrease (increase) in accounts and other receivables	351	(103)
Increase in trade payables	16	506
Increase (decrease) in advance from customers	(1,302)	1,898
Increase (decrease) in accrued expenses and other accounts payable	420	(333)
	3,095	4,532
Cash paid during the year for:		
Interest	(1,053)	(1,286)
	(1,053)	(1,286)
Net cash used in operating activities	(1,297)	(37)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2019	2018
	Euros in thousands	
Cash flows from investing activities:		
Purchase of property and equipment	(435)	(1,041)
Net cash used in investing activities	(435)	(1,041)

Cash flows from financing activities:		
Issue of shares (offering net proceeds)	2,231	-
Long-term lease, net	(4)	48
Receipt of short-term loans, net	682	662
Receipt of long-term loans	7,200	4,976
Repayment of long-term loans	(8,366)	(5,121)
Net cash provided by financing activities	1,743	565
Increase (decrease) in cash and cash equivalents	11	(513)
Cash and cash equivalents at beginning of year	262	775
Cash and cash equivalents at end of year	273	262
Supplemental disclosure of non-cash activities:		
Issuance of shares in consideration for investment in Pearlside	1,998	-

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

-

NOTE 1:- GENERAL

a. Dekel Agri-Vision PLC ("the Company") is a public limited company incorporated in Cyprus on 24 October 2007. The Company's Ordinary shares are admitted for trading on the AIM, a market operated by the London Stock Exchange. The Company is engaged through its subsidiaries in developing and cultivating palm oil plantations in Cote d'Ivoire for the purpose of producing and marketing Crude Palm Oil ("CPO"). The Company's registered office is in Limassol, Cyprus. In November 2019 the name of the Company was changed from DekelOil Public Ltd to its current name.

b. CS DekelOil Siva Ltd. ("DekelOil Siva") a company incorporated in Cyprus, is a wholly-owned subsidiary of the Company. DekelOil CI SA, a subsidiary in Cote d'Ivoire currently held 99.85% by DekelOil Siva, is engaged in developing and cultivating palm oil plantations for the purpose of producing and marketing CPO. DekelOil CI SA constructed and is currently operating its first palm oil mill.

c. DekelOil Consulting Ltd. a company located in Israel and a wholly-owned subsidiary of DekelOil Siva, is engaged in providing services to the Company and its subsidiaries.

d. Working capital deficiency and cash flow from operations

As of 31 December 2019, the Group has a deficiency in working capital of approximately € 5.4 million. Since commencement of production and sale of palm oil in 2014, the Group generated positive cash flows from its operations until 2017. In 2018 due to unusually low fruit yields across Cote d'Ivoire and a decrease in the market price of palm oil, the Group's cash flows generated from operations were nil. In 2019 the fruit yields recovered to normal levels but the market price of palm oil continued to be at cyclical low levels resulting in a negative cash flow from operations of approximately €1.4 million. There has been a partial recovery in market prices and cash flow from operations has been positive in 2020 up to the date of approval of the consolidated financial statements. Company management expects that cash flow from operations for the entire year of 2020 will revert back to the positive levels achieved in prior years. However, the operations of the Group are subject to various market conditions, including quantity and quality of fruit harvests and market prices, that are not under the Group's control that could have an adverse effect on the Group's cash flows. See also Note 1f. below regarding the uncertainty of the impact the Coronavirus may have on the Group's future revenues, profitability, liquidity and financial position.

In June 2020 the Company has closed on a loan that will provide additional financing for the Group's operations of approximately € 1.2 million. Furthermore, the Company is now in advanced stages of debt refinancing. Based on the above, Company management believes it will have sufficient funds necessary to satisfy any short-term working capital deficiency.

e. Effect of non-waiver of loan covenants on Group's ability to continue as a going concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As further described in Note 9c.6, in December 2019 the Group received a waiver till 30 June 2020 of certain financial covenants in respect of a loan. Whilst the Company has continued to meet current repayment obligations with respect to the loan, the lender is considering extending the waiver period as the covenants may not be met on 30 June 2020. However, it is uncertain that an extension of the waiver will be granted by the lender prior to 30 June 2020. Should the extension of the waiver not be granted, the entire balance of the loan of approximately € 7.2 million will be subject to immediate repayment upon the demand of the lender, which raises substantial doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

f. The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in

China and spreading in various jurisdictions, may negatively affect economic conditions regionally as well as globally, disrupt operations situated in countries particularly exposed to the contagion, affect the Company's customers and suppliers or business practices previously applied by those entities, or otherwise impact the Company's activities. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though apparently temporary in nature, may continue and increase depending on developments in the virus' outbreak. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Company cannot reasonably estimate the impact it may have on its end markets and its future revenues, profitability, liquidity and financial position.

f. Definitions:

The Group	-	DEKEL AGRI-VISION PLC and its subsidiaries.
The Company	-	DEKEL AGRI-VISION PLC.
Subsidiaries	-	Companies that are controlled by the Company- CS DekelOil Siva Ltd, DekelOil CI SA, DekelOil Consulting Ltd.
Associate	-	Company in which the Group has significant influence over the financial and operating policies without having control - Pearlside Holdings Ltd.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial statements have been prepared on a cost basis.

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

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights

are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

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

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as a change in equity.

c. Investment in an associate:

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in the associate is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate . Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate .

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

The financial statements of the Company and of the associate are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate are uniform and consistent with the policies applied in the consolidated financial statements of the Group.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The local currency used in Cote d'Ivoire is the West African CFA Franc ("FCFA"), which has a fixed exchange rate with the Euro (Euro 1 = FCFA 655.957). A substantial portion of the Group's revenues and expenses is incurred in or linked to the Euro. The Group obtains debt financing mostly in FCFA linked to Euros and the funds of the Group are held in FCFA. Therefore, the Company's management has determined that the Euro is the currency of the primary economic environment of the Company and its subsidiaries, and thus its functional currency. The presentation currency is Euro.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition.

f. Financial instruments:

On 1 January 2018, the Company initially adopted IFRS 9, "Financial Instruments" ("the Standard"). The Company elected to apply the provisions of the Standard retrospectively without restatement of comparative data.

The accounting policy for financial instruments applied commencing from 1 January 2018, is as follows:

1) Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

a) Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

b) Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

Other financial assets held for trading such as derivatives, including embedded derivatives separated from the host contract, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

2) Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.
The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the

loss allowance in an amount equal to the lifetime expected credit losses. An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

3) Financial liabiliti

3) Financial liabilities:

a) Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method.

4) Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires.

g. Borrowing costs:

The Group capitalizes borrowing costs that are attributable to the acquisition, construction, or production of qualifying assets which necessarily take a substantial period of time to get ready for their intended use or sale.

The capitalization of borrowing costs commences when expenditures for the asset are incurred, the activities to prepare the asset are in progress and borrowing costs are incurred and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in a reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

h. Leases:

As described in Note 2s regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

:The accounting policy for leases applied effective from 1 January 2019, is as follows

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an .identified asset for a period of time in exchange for consideration

The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate. After the commencement date, the Group measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term. The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

The accounting policy for leases applied until 31 December 2018 is as follows:

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

The Group as lessee:

1. Finance leases:

Finance leases transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The liability for lease payments is presented at its present value and the lease payments are apportioned between finance cost and a reduction of the lease liability using the effective interest method.
The leased asset is amortized over the shorter of its useful life or the lease term.

2. Operating leases:

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

h. Biological assets:

Biological assets of the Company are fresh fruit bunches (FFB) that grow on palm oil trees. The period of biological transformation of FFB from blossom to harvest and then conversion to inventory and sale is relatively short (about 2 months). Accordingly, any changes in fair value at each reporting date are generally immaterial.

i. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Palm oil trees before maturity are measured at accumulated cost, and depreciation commences upon reaching maturity. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Extraction mill	2.5
Palm oil plantations	3.33
Computers and peripheral equipment	33
Equipment and furniture	15 - 20
Motor vehicles	25
Agriculture equipment	15

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

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

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

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

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

Investment in associate:

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate.

k. Revenue recognition:

On 1 January 2018 the Company initially adopted IFRS 15, "Revenue from Contracts with Customers" ("the new Standard"). The Company elected to apply the provisions of the new Standard using the modified retrospective approach and without restatement of comparative data.

The accounting policy for revenue recognition applied commencing from 1 January 2018, is as follows:

Revenue from contracts with customers is recognized when the control over the services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms.

Revenue from the sale of goods:

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

Contract balances:

Amounts received from customers in advance of performance by the Company are recorded as contract liabilities/advance payments from customers and recognized as revenue in profit or loss when the work is performed. For all years presented in these financial statements, such advances were recognized as revenues in the year subsequent to their receipt.

l. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of finished goods inventories is determined on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

m. Earnings (loss) per share:

Earnings (loss) per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.
Basic earnings (loss) per share only include shares that were actually outstanding during the period. Potential Ordinary shares are only included in the computation of diluted earnings (loss) per share when their conversion decreases earnings per share or increases loss per share from continuing operations.

Further, potential Ordinary shares that are converted during the period are included in diluted earnings (loss) per share only until the conversion date and from that date in basic earnings (loss) per share. The Company's share of earnings of investees is included based on the earnings (loss) per share of the investees multiplied by the number of shares held by the Company.

Basic and diluted earnings per share are adjusted retrospectively due to changes in shares outstanding resulting from bonus issues, share splits and share consolidations, including those that occur after the reporting period and through the date the financial statements are approved for issuance.

n. Provisions:

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

o. Fair value measurement:

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

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

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

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

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

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

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

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

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

p. Share-based payment transactions:

The Company applies the provisions of IFRS 2, "Share-Based Payment". IFRS 2 requires an expense to be recognized where the Company buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares of rights over shares ("cash-settled transactions"). The main impact of IFRS 2 on the Company is the expensing of employees' and directors' share options (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using an acceptable option model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

q. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

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

2. Deferred taxes:

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

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

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

r. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Initial application of IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the Standard"), which provides guidance on the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17, "Leases" ("the old Standard"), IFRIC 4, "Determining Whether an Arrangement Contains a Lease", and SIC-15, "Operating Leases - Incentives". According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Company elected to apply the provisions of the Standard using the modified retrospective method. The initial application of the Standard did not have a material effect on the consolidated financial statements.

2. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement to reflect uncertainty involving income taxes in the financial statements and accounting for changes in facts and circumstances underlying the uncertainty.

The Interpretation has been initially applied in these financial statements. The initial application of the Interpretation did not have a material effect on the consolidated financial statements.

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

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

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

Impairment of investment in an associate:

As further described in Note 5, the Group has an investment in an associate which is engaged in the development and construction of a raw cashew nut processing plant. The Group reviews its investment for impairment whenever events or changes in circumstances indicate that carrying amount of the investment is not recoverable. This requires management to make an estimate of the projected future cash flows from the expected operations of the plant and also to choose a suitable discount rate for those cash flows. Furthermore, the successful operation of the plant is dependent on the associate's ability to obtain the funds necessary to complete its construction.

NOTE 4:- ACCOUNTS AND OTHER RECEIVABLES

	31 December	
	2019	**2018**
	Euros in thousands	
Government authorities (VAT)	3	3
Prepaid expenses and other receivables	62	339
Loans to employees	4	78
	69	420

NOTE 5:- INVESTMENT IN AN ASSOCIATE - PEARLSIDE HOLDINGS LTD

On 20 December 2018 the Company entered into an agreement to purchase a 43.8% interest in Pearlside Holdings Ltd ("Pearlside") by way of issuing 52,612,613 Ordinary shares of the Company. Pearlside, through its wholly-owned subsidiary, is in the initial stages of development and construction of a raw cashew nut processing plant in Cote d'Ivoire. The closing of this purchase transaction occurred on 7 January 2019 (See also Note 10 Equity).
Based on the market price of the Company's shares on the date of the purchase, the cost of the investment in Pearlside amounted to approximately €1.9 million.

In addition, the Company has an option to purchase an additional 20.5% of Pearlside which may be exercised at any time following the date on which Pearlside is due to publish its audited annual accounts for the year ending 31 December 2020 until the date falling 6 months after Pearlside issues its audited annual accounts for the year ending 31 December 2021.

The exercise price will be calculated by reference to the higher of (i) 5 times EBITDA of Pearlside in its last published audited annual accounts prior to exercise of the option and (ii) the valuation of € 18 million for the entire issued share capital of Pearlside.

If Pearlside has not achieved an EBITDA of € 4 million for the year 2020, the Company may acquire the shares of Pearlside under option based on an € 18 million valuation of Pearlside, at any time until the 2021 annual accounts are published at which point the valuation will be reset at the higher of 4.5 times EBITDA or € 18 million for 100% of Pearlside's equity. If the exercise price is determined by reference to the EBITDA of Pearlside, and the EBITDA is € 7 million or more, the EBITDA applied will be capped at € 7 million.

On 25 May 2019 Pearlside signed an equity investment agreement with an investor pursuant to which the subscriber invested €1 million in Pearlside in consideration for shares representing approximately a 15% ownership interest in Pearlside. These subscribed shares were to be issued to the investor upon the investor's consummation of the investment agreement.

The investment agreement included certain provisions regarding appointment of directors and the management of Pearlside, which provided the Company with the potential rights to control Pearlside as of the agreement date. Accordingly, the accounts of Pearlside were consolidated in the interim financial statements of the Company as of 30 June 2019.

The investment agreement failed to be consummated by the investor and was ultimately canceled by Pearlside in December 2019. No shares were ever issued pursuant to the investment agreement, the investment amount of €1 million is presented as a liability in the accounts of Pearlside, and the provisions in the investment agreement regarding the potential rights of the Company in respect of the control and management of Pearlside were not implemented. As a result, the Company ceased to consolidate the financial statements of Pearlside in December 2019. The effects on the consolidated financial statements of the deconsolidation of Pearlside were immaterial.

The expected completion of the development and construction of Pearlside's cashew nut processing plant by the end of the first quarter of 2021 is dependent on Pearlside obtaining additional financing from external sources. The management of Pearlside is evaluating various financing alternatives and it believes that the required funds will be available when required. However, there is no assurance that Pearlside will succeed in obtaining such financing at the appropriate time. This could result in a significant delay in the commencement of operations of the plant.

NOTE 6:- PROPERTY AND EQUIPMENT, NET

Composition and movement:

	Computers and peripheral equipment	Equipment and furniture	Motor vehicles	Agriculture equipment	Extraction mill and land	Palm oil plantations	Total
	Euros in thousands						
Cost:							
Balance as of 1 January, 2018	329	100	1,259	460	25,307	7,453	34,908
Acquisitions during the year	9	9	270	-	696	90	1,073
Disposals during the year	-	-	(132)	-	-	-	(132)
Balance as of 31 December, 2018	338	109	1,397	460	26,003	7,543	35,850
Acquisitions during the year	5	1	128	4	278	77	493
Disposals during the year	(53)	-	(30)	-	-	-	(83)
Balance as of 31 December, 2019	290	110	1,495	464	26,281	7,620	36,260
Accumulated depreciation:							
Balance as of 1 January 2018	148	65	482	366	1,959	439	3,459
Depreciation during the year	33	16	198	14	886	170	1,317
Disposals during the year	-	-	(98)	-	-	-	(98)
Balance as of 31 December 2018	181	81	582	380	2,845	609	4,678
Depreciation during the year	35	17	273	14	848	170	1,357
Disposals during the year	(53)	-	(30)	-	-	-	(83)
Balance as of 31 December 2019	163	98	825	394	3,693	779	5,952
Depreciated cost as of 31 December 2019	127	12	669	70	22,589	6,841	30,308

Depreciated cost as of 31 December 2018	157	28	815	80	23,158	6,934	31,172

NOTE 7:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	31 December	
	2019	2018
	Euros in thousands	
Employees and payroll accruals	272	198
VAT payable	164	228
Other accounts payable	580	170
	1,016	596

NOTE 8:- RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

On 24 June 2008, DekelOil CI SA signed a lease agreement for 42 hectares near the village of Ayenouan, Cote d'Ivoire. The agreement is with the village of Adao and the people occupying the land in Ayenouan. The lease is for 90 years and the payment for the lease is FCFA 3,000,000 (app. € 4,573) per annum.
In July 2015 a subsidiary of the Company signed a lease agreement for a vehicle. The lease is for 4 years and the payment is €1,062 per month.
In January 2018 a subsidiary of the Company signed a lease agreement for a vehicle. The lease is for 5 years and the payment is €1,080 per month.
The right-of-use assets in respect of the above leases are included in Property and Equipment (Note 6). The balance of the lease liabilities at 31 December 2019 amounted to € 90 (2018 - €94).

NOTE 9:- LOANS

a. Long-term loans:

	Currency	Interest rate as of 31 December 2019	31 December 2019	31 December 2018
			Euros in thousands	
SGBCI (c.1)	In FCFA	6.2%-7.3%	26	110
NSIA (c.2 and c.3)	In FCFA	8.4%	207	6,558
SOGEBOURSE (c.4)	In FCFA	6.85%	8,380	10,023
SIB (c.5)	In FCFA	8.2%	490	602
AgDevCo (c.6)	In Euro	7.5%	7,200	-
Total loans			16,303	17,293
Less - current maturities			(2,339)	(3,581)
			13,963	13,712

b. Short-term loans and current maturities:

	Interest rate	31 December 2019	31 December 2018
		Euros in thousands	
Short-term loan from bank	7% - 8%	1,490	670
Current maturities - per a. above		2,339	3,581
		3,829	4,251

c. 1. On 7 May 2013, DekelOil CI SA signed a line of credit agreement with the Societe Generale de Banque Cote d'Ivoire ("SGBCI) for financing the purchase of vehicles,). The loan is for a term of three years from the date of each loan withdrawal. The effective interest rate of the loan is between 6.2 - 7.3% per annum.

2. In June 2015 DekelOil CI SA signed a loan agreement with NSIA Banque ("NSIA") according to which NSIA agreed to grant DekelOil CI SA a loan of FCFA 700 million (approximately € 1,067 thousand). The loan is for 4 years and bears interest at a rate of 8.4% per annum. The loan balance as of 31 December 2019 represents the remaining balance of that loan.

3. In March 2016 DekelOil CI SA signed a long-term loan agreement with NSIA Bank for FCFA 6 billion (approximately €9.15 million) in order to refinance the Bank of Investment and Development of CEDEAO ("EBID") loan. The loan is repayable over 7 years in equal monthly payments and bears annual interest at the basic bank rate minus 3.7% which is currently equal to 7.1%. According to the agreement, the financial covenants that DekelOil CI SA should maintain are (1) Net debt to EBITDA lower or equal to five, and (2) Debt service cover ratio greater than 1.2. The significant decrease in EBITDA resulted in covenants breach as at 31 December 2018 which was waived by NSIA in December 2018.
On 22 March 2016 NSIA transfered the funds and the EBID loan was repaid in full.
In July 2019 this loan was refinanced in full by a loan from AgDevCo Limited (see 6 below)

4. In September 2016 DekelOil CI SA signed a long-term financing facility agreement with a consortium of institutional investors arranged by SOGEBOURSE for a long-term loan of up to FCFA 10 billion (approximately €15.2 million). Of this amount, FCFA 5.5 billion (approximately €8.4 million) was utilized to refinance the West Africa Development Bank ("BOAD") loan The loan is repayable over 7 years in fourteen semi annual payments. and bears interest at a rate of 6.85% per annum.
On 22 October 2016 SOGEBOURSE transferred the funds and the BOAD loan was repaid in full.

On 1 February 2018 the DekelOil CI SA drew down a second tranche of FCFA 2.8 billion (€4.34 million) from its FCFA 10 billion (€15.2 million) long-term Syndicated Loan Facility with Sogebourse CI. on the same terms as the first tranche. Part of the funds were used to repay a short-term loan in the amount of €1,524 thousand and a long-term loan in the amount of €497 thousand.

5. In October 2018 DekelOil CI SA signed a loan agreement with Societe Ivorienne de Banque ("SIB") for FCFA 400 million (approximately €610 thousand). The loan is for 5 years and bears interest at a rate of 8.2% per annum. One of the boilers in the CPO extraction mill serves as a security for the loan.

6. In July 2019 the Company signed an agreement with AgDevCo Limited ("AgDevCo"), a leading African agriculture sector impact investor for a €7.2 million loan for a term of 10 years, 4 years of principal grace and 6 years of repayment, with a gross interest rate of 7.5% per annum, variable and based on 12-month EURO Libor plus a pre-defined spread, and collared with a minimum rate of 6% per annum and a maximum rate of 9% per annum. The funds from the loan are to be used as follows: (i) €6.2 million to replace existing NSIA Bank loan (see also 3 above) and (ii) €1.0 million for Environmental, Social and Governance ("ESG") activities and general working capital purposes.

The loan agreement contains the following financial covenants to be tested on a quarterly basis: (1) Current Ratio of at least 0.5; (2) Debt Service Coverage Ratio of at least 1. In December 2019 a waiver was received for the testing of the above financial covenants till 30 June 2020. AgDevCo is considering extending the waiver period as the covenants may not be met on 30 June 2020. However, it is uncertain that an extension of the waiver will be granted by AgDevCo prior to 30 June 2020. Should the extension of the waiver not be granted, the entire balance of the loan of approximately € 7.2 million will be subject to immediate repayment upon the demand of AgDevCo.

NOTE 10:- EQUITY

a. Composition of share capital:

	31 December		31 December	
	2019	2018	2019	2018
	Authorized		Issued and outstanding	
	Number of shares			
Ordinary shares of € 0.0003367 par value each	1,000,000,000	400,000,000	423,064,443	299,660,810

Each Ordinary share confers upon its holder voting rights, the right to receive cash and share dividends, and the right to share in excess assets upon liquidation of the Company.

On 22 January 2018 the CEO of the Company's subsidiary exercised 400,000 options to acquire Ordinary shares granted to him as part of his employment agreement.

In 2019 the Company issued 467,659 ordinary shares to certain brokers in consideration for services provided. The fair value of the shares issued amounting to € 17 thousand was recorded in general and administrative expenses

On 7 January 2019 the Company completed a purchase of 43.8% interest in Pearlside Holding Ltd by way of issuing 52,612,613 Ordinary shares of the Company. Based on the market price of the Company's shares on the date of the purchase, the cost of the investment in Pearlside amounted to approximately €1.9 million. Of the total Ordinary shares issued, 36,156,157 Ordinary shares were issued to related parties of the Company.

On 9 April 2019 the CEO of the Company's subsidiary exercised 600,000 options to acquire Ordinary shares granted to him as part of his employment agreement.

On August 8th the Company raised a total amount of approximately €2.23 million (net of €88 thousands fund raising costs) through the issuance of 69,723,361 Ordinary shares (of which €1.5 million was invested by AgDevCo Limited (see also note 9 c.6).

Commencing from December 2019, pursuant to his remuneration contract, the General Manager of the company's subsidiary, shall be issued 400,000 Ordinary Shares per year at par value over the next 3 years, vesting on a monthly basis. The fair value of the Ordinary shares to be issued at the date of grant amounts to € 34 thousand.

b. Share option plan:

On 15 January 2015 the Company granted directors and senior employees options to purchase 8,100,000 Ordinary shares. Of that amount, 1,800,000 options vested immediately, and the remainder will vest ratably over 3 years. Half of the options have an exercise price of 12.5 pence per share while the remainder is exercisable at a price of 20 pence per share. The fair value of the options granted calculated based on Black-Scholes option pricing model was approximately €820 thousand.

On 19 October 2015 the Company granted directors and senior employee's options to purchase 1,800,000 Ordinary shares. The options will vest ratably over 3 years. Half of the options have an exercise price of 12.5 pence per share while the remainder is exercisable at a price of 20 pence per share. The fair value of the options granted calculated based on Black-Scholes option pricing model was approximately €139 thousand.

On 30 June 2017 the Company granted directors and senior employee's options to purchase 10,750,000 Ordinary shares. The options will vest ratably over 5 years. The exercise price of the options is €0.1359 per share. The fair value of the options granted calculated based on Black-Scholes option pricing model was approximately €612 thousand.

On 1 January 2017 a subsidiary appointed a new CEO, and as part of his employment compensation he was granted 1,200,000 options to purchase Ordinary shares of the Company at a nominal exercise price. The options vest linearly over three years. The fair value of the options at the date of grant was calculated based on the share price at that date and was approximately €151 thousand.

On 2 December 2019 the Company granted directors and advisers options to purchase 17,600,000 Ordinary shares. The 2019 Options expire 10 years from the date of grant and have an exercise price of 2.45 pence per Ordinary Share. One third of the 2019 Options vest immediately. The balance of the 2019 Options are subject to vesting conditions as follows:

(i) One third of the options may only be exercised if at any point following the date of grant, the 30-day Volume Weighted Average Price (VWAP) of the Ordinary Shares achieves a price per share equal to or exceeding 4.0 pence. These options vest over 12 months following the date of grant.

(ii) A further one third of the options may only be exercised if at any point following the date of grant, the 30-day VWAP of the Ordinary Shares achieves a price per share equal to or exceeding 6.0 pence. These options vest over 12 months from the first anniversary of the date of grant.

The fair value of the options granted calculated based on Black-Scholes option pricing model was approximately €289 thousand for the 14,100,000 options granted to directors and approximately €72 thousand for the 3,500,000 options granted to advisors.

In addition, in December 2019 the Company amended the terms of 7,200,000 of the options granted in January 2015 (see above) and of the terms of 9,100,000 option granted on 30 June 2017 (see above), to reflect the same terms, vesting terms and duration of the options granted on 2 December 2019.

The incremental fair value of the amended options totaling approximately €212 thousand was calculated based on the difference between the fair value of the options immediately before the amendment and their fair value immediately after the amendment. The calculation was based on Black-Scholes option pricing model. This incremental fair value will be recorded as an expense over the amended vesting period in addition to the expense recorded in respect of the original grant of these options.

The following table lists the inputs used in the measurement of the fair value of options, in accordance with the Black and Scholes option pricing model, with respect to the above plans:

	2019	**2017**	**2015**
Risk-free interest rate (%)	0.6%	1.3%	1.6%
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	70%	37%%	47%
Expected term (in years)	10	10	10

A summary of the activity in options for the years 2019 and 2018 is as follows:

	Year ended 31 December			
	2019		**2018**	
	Number of options	**Weighted average exercise price-Euro**	**Number of options**	**Weighted average exercise price-Euro**
Outstanding at beginning of year	18,722,314	0.1734	21,850,000	0.1705
Exercised	(600,000)	nil	(400,000)	nil
Granted	17,600,000	0.0288	-	-
Expired	-	-	(2,727,686)	0.1752
Forfeited	(200,000)	nil	-	-
Outstanding at end of year	35,522,314	0.0332	18,722,314	0.1734
Exercisable options	12,922,314	0.0408	12,717,314	0.1887

c. Capital reserve

The capital reserve comprises the contribution to equity of the Company by the controlling shareholders.

NOTE 11:- REVENUES

a. The Company has one operating segment - production and sale of Palm Oil, Palm Kernel and Palm Kernel Oil. Substantially all of the revenues are derived from the sales of Palm Oil, Palm Kernel Oil and Palm Kernel Cake in Cote d'Ivoire.

b. Major customers:

	Year ended 31 December	
	2019	**2018**
	Euros in thousands	
Revenues from major customers which each account for 10% or more of total revenues reported in the financial statements:		

Customer A -	13,583	13,817
Customer B -	3,720	3,938

NOTE 12:- FAIR VALUE MEASUREMENT

The fair value of accounts and other receivables, loans, and trade and other payables approximates their carrying amount due to their short-term maturities. The fair value of long-term loans with a carrying amount of €17,293 thousands and € 15,934 thousands (including current maturities) approximates their fair value as of 31 December 2018 and 2017, respectively (level 3 of the fair value hierarchy).

NOTE 13:- INCOME TAXES

a. Tax rates applicable to the income of the Company and its subsidiaries:

The Company and its subsidiary, CS DekelOil Siva Ltd, were incorporated in Cyprus and are taxed according to Cyprus tax laws. The statutory federal tax rate is 10%.

The carryforward losses of the Company are approximately €22 thousand, and of CS DekelOil Siva Ltd are approximately €14 thousand.

The subsidiary, DekelOil CI SA, was incorporated in Cote d'Ivoire and is taxed according to Cote d'Ivoire tax laws. Based on its investment plan, DekelOil CI SA received a full tax exemption from local income tax, "Tax on Industrial and Commercial profits," for the thirteen years starting 1 January 2014, 50% tax exemption for the fourteenth year and 25% tax exemption for the fifteenth year.

The tax exemptions were conditional upon meeting the terms of the investment plan, which the Group has met.

The subsidiary DekelOil Consulting Ltd was incorporated in Israel and is taxed according to Israeli tax laws.

b. Tax assessments:

The Company's subsidiary, DekelOil CI SA, received a final tax assessment through 2017.
As of 31 December 2019, the Company and all its other subsidiaries had not yet received final tax assessments

c. The tax expense during the year ended 31 December, 2019 relate to tax of the Company's subsidiaries DekelOil CI SA and DekelOil Consulting Ltd.

NOTE 14:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	**2018**
		Euros in thousands	
a.	Cost of revenues:		
	Cost of fruits	14,243	13,769
	Salaries and related benefits	1,587	1,520
	Cultivation & Nursery costs	379	414
	Vehicles	364	433
	Maintenance and other operating costs	1,550	1,895
	Depreciation	1,129	1,121
		19,252	19,152
b.	General and administrative expenses:		
	Salaries and related benefits	1,189	1,625
	Subcontractors	364	42
	Rents & related office expenses	111	250
	Travel expenses	98	122
	Legal & accounting and professional fees	293	222
	Vehicle maintenance	106	110
	Insurance	98	73
	Brokerage & nominated advisor fees	134	81
	Depreciation	228	186
	Share-based compensation	296	160
	Other	241	364
		3,158	3,235
c.	Finance cost:		
	Interest on loans	1,304	1,410
	Bank fees	463	268
	Exchange rate differences	62	60
		1,829	1,738

NOTE 15:- INCOME (LOSS) PER SHARE

NOTE 15:- INCOME (LOSS) PER SHARE

The following reflects the income (loss) and share data used in the basic and diluted earnings per share computations:

	Year ended 31 December	
	2019	2018
	Euros in thousands	
Net income(loss)	(3,389)	(3,283)
Weighted average number of Ordinary shares for computing basic and diluted earnings (loss) per share	352,290,622	299,119,461

In 2019 and 2018, share options are excluded from the calculation of diluted earnings per share as their effect is antidilutive.

NOTE 16:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

		Year ended 31 December	
		2019	2018
		Euros in thousands	
a.1	Balances:		
	Other accounts payable and accrued expenses	31	32
a.2	Transactions:(c1)		
	Services and expense reimbursements	92	289
b.	Compensation of key management personnel of the Company:		
	Short-term employee benefits	564	539
	Share-based compensation	224	74

(1) See also Note 10a regarding issuance of shares to related parties in connection with the acquisition of an investment in Pearlside.

c. Significant agreements with related parties:

1. In February 2008, DekelOil Consulting Limited ("Consulting") signed an employment agreement with a shareholder, who is a director of the Company, the CEO of the Company and the chairman of the Board of Directors of DekelOil CI SA.

   Under the employment agreement, the CEO is entitled to a monthly salary of € 20,000 per month (included in b) and management fee of € 5,000 per month (included in a.2). The agreement is terminable by the Company with 24 months' notice. The total annual salary, social benefits, bonuses and management fee paid to the CEO during 2019 and 2018 was approximately €252 thousand and € 252 thousand, respectively.

2. In March 2008, DekelOil Consulting Limited signed an employment agreement with a shareholder, who is a director of the Company, its Deputy CEO and Chief Financial Officer. The agreement was amended on 11 July 2014 by the board of the subsidiary to reflect the same salary terms as those of the CEO described in c (1) above. The total annual salary and social benefits paid to the employee during 2019 and 2018 was approximately €194 thousand and € 191 thousand, respectively.

3. In March 2014 a subsidiary of the Company entered into an agreement with a related party for renting tractors for its mill and logistic centers operation. The engagement ended on October 2018. During 2018 the subsidiary paid to the related company for these services approximately €179 thousand.

NOTE 17:- FINANCIAL INSTRUMENTS

a. Classification of financial liabilities:

The financial liabilities in the statement of financial position are classified by groups of financial instruments pursuant to IFRS 9:

	31 December	
	2019	2018
	Euros in thousands	
Financial liabilities measured at amortized cost:		
Trade and other payables	1,687	1,261
Short-term loans	1,490	670
Long-term lease liabilities	90	94
Long-term loans (including current maturities)	16,303	17,293
Total	19,570	19,818

b. Financial risks factors:

The Group's activities expose it to market risk (foreign exchange risk). Certain of the Group's long-term obligations at the reporting date also bear variable interest rates which are linked to the inter banking interest rate in Cote d'Ivoire and in the UK, and therefore the Group is exposed to cash flow risks due to changes in that base interest rate. The effect on profit or loss is approximately €80 thousand for each 1% change in the base interest rate.

Foreign exchange risk:
The Company is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly, NIS and GBP. Since the FCFA is fixed to the Euro, the Group is not exposed to foreign exchange risk in respect of the FCFA. As of 31 December 2019, the foreign exchange risk is immaterial.

Liquidity risk:
The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2019

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	Euros in thousands						
Long-term loans (1)	3,147	2,863	2,739	1,852	2,421	7,368	20,390
Short-term loan	1,490	-	-	-	-	-	1,490
Trade payables and other accounts payable	1,687	-	-	-	-	-	1,687
Long-term lease liabilities	23	20	20	6	6	334	409
	6,347	2,883	2,759	1,858	2,427	7,702	23,976

(1) Including current maturities.

31 December 2018

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	Euros in thousands						
Long-term loans (1)	4,622	4,307	4,024	3,900	1,737	699	19,289
Short-term loan	670	-	-	-	-	-	670
Trade payables and other accounts payable	1,261	-	-	-	-	-	1,261
Long-term lease liabilities	25	18	18	18	6	340	425
	6,578	4,325	4,042	3,918	1,743	1,039	21,645

(2) Including current maturities.

Movement in financial liabilities:

	Short term loans	Long term loans (1)	Lease liabilities	Total
Balance as of 1 January 2018	1,533	15,934	46	17,513
Receipt of short-term loan	670	-	-	670
Receipt of long-term lease	-	-	72	72
Repayment of long-term lease	-	-	(24)	(24)
Repayment of loans	(1,533)	(3,617)	-	(5,150)
Receipt of long-term loans	-	4,976	- -	4,976
Balance as of 31 December 2018	670	17,293	94	18,057
Receipt of short-term loan	1,490	-	14	1,504
Repayment of long-term lease	-	-	(18)	(18)
Repayment of loans	(670)	(8,191)	-	(8,861)
Receipt of long-term loans	-	7,200	-	7,200
Balance as of 31 December 2019	1,490	16,302	90	17,882

1) Including current maturities.

NOTE 18:- SUBSEQUENT EVENTS

On 13 January 2020 a total of 831,408 Ordinary shares were issued to certain advisers in settlement of fees for services provided in the amount of €9 thousand.