Dekel Agri-Vision

Half-year Report

RNS Number : 3494A
Dekel Agri-Vision PLC
29 September 2020

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

Dekel Agri-Vision Plc ('Dekel' or the 'Company')
2020 Interim Results and Shareholder Call

Dekel Agri-Vision Plc, the West African focused agriculture company, is pleased to announce its interim results for the six months ended 30 June 2020.

The Company will be hosting a shareholder conference call at 1pm UK time on 6 October 2020. The call will be hosted by Executive Director, Lincoln Moore and Deputy CEO Shai Kol, who will discuss the interim results and provide an update on activity across its portfolio of projects. Further information about the call can be found at the end of this announcement, as well as in the presentation, which will be uploaded to the corporate website prior to the conference call.

Financial Overview

As set out in the table below, with Revenues up 5% to €15.4 million; EBITDA up 36% to €1.9million; net profits up from a loss of €0.1m to positive €0.4m - the Company's first half financial performance has been a highly creditable one, particularly when set against the backdrop of COVID-19.

	H1 2020	***H1 2019***	***% change***
Revenue	*€15.4m*	€14.6m	5.5%
Gross Margin	*€2.6m*	€2.3m	13.0%
Gross Margin %	*16.8%*	15.7%	7.0%
G&A	*(€1.4m)*	(€1.5m)	7.1%
EBITDA	*€1.9m*	€1.4m	35.7%
Net profit / (loss) after tax	*€0.4m*	(€0.1m)	Na

Production - palm oil project, Ayenouan Côte d'Ivoire

- Stronger year on year global Crude Palm Oil ('CPO') prices and higher extraction rates more than offset lower CPO volumes produced and sold during H1 2020
- 19.21% increase in average realised sales price of €602 per tonne of CPO (H1 2019: €505)
  - CPO prices rallied strongly to over US$850 per tonne in January 2020 but quickly retraced back to as low as US$500 in response to COVID-19 before recently recovering to around US$730 today as global logistics reopened
- Significantly higher extraction rates due to higher quality Fresh Fruit Bunches ('FFB') than last year particularly in Q2 2020 where the extraction rate achieved was 23.6% (Q2 2019 22.4%)
- 23,882 tonnes of CPO produced in first half (H1 2019: 28,934 tonnes) follows 19.5% decrease in FFB delivered to mill to 106,188 tonnes (H1 2019: 131,917 tonnes) - in line with experience of other operators in the region
- 23,906 tonnes of CPO sold in H1 2020 (H1 2019: 26,702 tonnes)
- ESG milestones achieved include roll-out of fruit traceability programme across the region and maintaining 300 plus staffing levels at Ayenouan despite COVID-19

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

- Construction now advancing well following a short delay in manufacture of equipment in China and Italy due to COVID-19
- Production on course to commence in Q2 2021 at which point Tiebissou will become Dekel's second producing asset and provide exposure to the high margin global cashew market
- Tiebissou expected to lead to step-up in Dekel's revenue and profitability as operations commence

New Ventures - proceeding cautiously due to COVID-19 and related market uncertainty

- Hybrid power project - feasibility study being undertaken by JV partner Green Enesys on the development of a 30MW solar PV plant and a 5-6MW biomass plant using feedstock from Ayenouan
- New commodity project - one venture in Côte d'Ivoire being actively considered as a new project for the Company following positive results of internal feasibility study

Dekel Executive Director Lincoln Moore said, "The six month review period has not only seen us navigate what must count among the most challenging conditions seen for generations as a result of COVID-19, but also post a material uplift in our EBITDA. With global crude palm oil prices currently trading back at traditional levels of around $750 per tonne level (compared to $550 this time last year) and the trend of higher extraction rates being maintained post period, we are extremely confident that our H2 2020 results will also show material improvement compared to H2 2019.

"Looking forward into 2021 we believe that the Company is well positioned to enter a period of sustained growth in financial performance. Together with the normalisation of palm oil prices, the other key catalyst behind the step-up in performance is the commencement of operations at Tiebissou and subsequent expansion in cashew processing capacity at the project first from 10,000tpa to 15,000tpa before doubling up to 30,000 tpa. This also does not include any contribution from our pipeline of projects which are being advanced cautiously in light of the current environment. We believe that despite the very challenging macro conditions we are positioned as well as ever to deliver on our objective to build a West African focused agro-industrial group, one which benefits all stakeholders including the local communities around which our business is centred, and I look forward to providing further updates on progress made."

Conference Call

To participate in the conference call to be held at 1pm UK time on 6 October 2020, please dial 0808 109 0701 , if you are calling from outside of the UK please dial +44 (0) 20 3003 2701 and enter participant pin 0044863# when prompted to do so. Please note that all lines will be muted with the exception of Company management, however the Company invites shareholders to submit questions to its public relations adviser, St Brides Partners Ltd, ahead of the call via email. Questions should be sent to shareholderenquiries@stbridespartners.co.uk .

An updated presentation will be uploaded to the Company's website on the morning of the call which will be referred to throughout the call.

If you have any problems accessing the call, please contact St Brides Partners Ltd on shareholderenquiries@stbridespartners.co.uk or call +44 (0) 20 7236 1177.

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:

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CHAIRMAN'S STATEMENT

Revenues up 5% to €15.4 million; EBITDA up 43% to €1.9million; net profits up from a loss of €0.1m to profit of €0.4 million - the Company's first half financial performance, specifically that of our producing project, the crude palm oil ('CPO') operation at Ayenouan, Cote d'Ivoire, has been a highly creditable one, particularly when set against the backdrop of COVID-19.

Of course, Dekel has not been immune to the coronavirus. The H1 2020 results would likely have shown much larger percentage increases than the above as the onset of the pandemic and the associated lockdowns around the world led to a sharp contraction in global demand for palm oil and the everyday food and personal care products that the vegetable oil is used in. This in turn caused a sharp reversal in CPO prices over the course of the six-month period. Having traded as high as US$850 per tonne at the turn of the year, prices retreated towards the US$500 level before staging a recovery to today's US$730 prices.

At our large-scale cashew processing project in Tiebissou, Cote d'Ivoire, the manufacture of infrastructure and milling equipment in China and Italy respectively was temporarily suspended and as a result, the target date for the commencement of operations has been pushed out to Q2 2021, a delay of approximately three months. Construction work at the site is now well underway and I am confident that when it comes to writing next year's half year statement, there will be two producing assets.

While the pandemic has affected the timelines for business development activities, I am pleased to report that it has, to date, not had a material adverse impact on our day to day operations. In response to the coronavirus, we quickly put in place a series of protocols and procedures in line with the prevailing government advice to ensure the wellbeing of our staff and the smallholders with whom we work closely with. Encouragingly, these have not affected operations at our palm oil project in Ayenouan and we take great pride in not having had to reduce local staffing numbers from the 300 plus level it was before the pandemic. The improved H1 financial performance, uninterrupted palm oil production operations, and the progress made at the cashew project underline the resilience of Dekel's operations in the face of unprecedented challenges. With the 10,000 tpa cashew processing operation at Tiebissou due to commence in Q2 2021, we are confident that by adding a second revenue stream and by diversifying our end markets, Dekel's resilience is only going to get stronger.

Ayenouan Palm Oil Project

The table below shows the improved first half performance at Ayenouan compared to H1 2019. It also shows how over the last six years, our palm oil operation has consistently generated positive EBITDA and, during periods when global palm oil prices have traded in line with historic averages, material net profits after tax. At €602 per tonne, the average CPO price achieved during H1 2020 may well have been below long term historic levels of €700 plus per tonne, but it was still 19.2% higher than H1 2019's €505 average. This along with a much higher extraction rate compared to the previous year helped to offset lower volumes of CPO sold during the period (H1 2020: 23,906 tonnes / H1 2019: 26,702 tonnes). As mentioned earlier, the H1 2020 financial performance would have been even stronger had COVID-19 not caused CPO prices to fall back from US$850 per tonne in January 2020 to lows of US$500 per tonne. Encouragingly, as global logistics reopened following COVID-19 induced lockdowns, international palm oil prices have recovered to US$730 per tonne today.

	H1 2020	***H1 2019***	***H1 2018***	***H1 2017***	***H1 2016***	***H1 2015***
Revenue	*€15.4m*	*€14.6m*	*€14.1m*	*€19.6 m*	*€16.0m*	*€12.9m*
EBITDA	*€1.9m*	*€1.4m*	*€1.1m*	*€3.7m*	*€3.1m*	*€2.3m*
Net profit / (loss) after tax	*€0.45m*	*(€0.1m)*	*(€0.5m)*	*€2.4m*	*€1.8m*	*(€93k)*
FFB collected (tonnes)	*106,188*	*131,917*	*96,195*	*117,706*	*123,157*	*90,879*
CPO production (tonnes)	*23,882*	*28,934*	*22,242*	*26,947*	*28,550*	*21,836*
Average CPO price per tonne	*€602*	*€505*	*€549*	*€707*	*€542*	*€617*

Setting out key performance indicators covering the last six half year trading periods for Ayenouan, the table above is by its nature backward looking. The table does however provide insights into the future. Keeping in mind that the name plate capacity of the processing mill is 60,000 tonnes per annum, the CPO price has been at or below long term averages and that during the above six half year periods an average of 25,398 tonnes of CPO have been produced at the mill, there is clear potential to return to at least the H1 2017 levels in terms of financial results.

For a step-up in CPO production an increase in FFB supplied to the mill by local smallholders is required. This can be achieved in two ways, firstly via protecting and potentially increasing Ayenouan's share of the local market and secondly via an increase in volumes of fruit harvested in the region. On the first count, ever since operations commenced at Ayenouan, we have worked hard to foster close relationships with the local community to secure supplies - supplying discounted plants from our nursery; setting up logistics hubs to facilitate delivery of fruit to the mill; rolling out fertiliser programmes with innovative funding mechanisms to encourage the use of fertiliser at a manageable cost to the farmer. Initiatives such as these have seen Ayenouan go from a standing start in 2014 to becoming a major local producer of CPO. To kick on from here, a material increase in regional fruit production is required. 2012 saw the start of a major multi-year planting programme in the region. It takes on average 6-8 years for plants to mature, and so we are now entering a period when the benefits of all this planting ought to bear fruit. With strong relationships with the local community, critical infrastructure in place and proven logistics networks established, Ayenouan is in a strong position to capitalise on any increase in local fruit production.

To the list can be added the substantial we are carrying out to secure RSPO certification for Ayenouan including the implementation of a traceability programme for our farmers. COVID-19 has delayed the on site RSPO certification pre audit work expected to be conducted by Proforest, an Oxford-based environmental consultancy. Internally we believe we are now in a position to meet the RSPO certification process once field inspections and the pre audit and audit process can be undertaken. Once certified, Ayenouan will be one of the few operations in the region with the RSPO stamp of approval. Set against a backdrop of increasing scrutiny of ESG obligations, having RSPO certification will differentiate Dekel from a number of its non-ESG focused peers, thereby potentially highlighting our project as an attractive destination for fruit grown by local smallholders who share our principles. We know many already do, especially after the successful roll out of our fruit traceability programme across the region which has also helped to further enhance our relationships with local farmers.

Tiebissou Cashew Project
Increasing CPO volumes produced at Ayenouan is not the only route to driving material and sustainable profits growth at Dekel over the short to medium term. Commencing cashew processing operations at our Tiebissou project (currently Dekel holds a 43.8% interest) in Q2 2021 will provide a second material revenue stream for Dekel. With an initial annual capacity to process 10,000 tonnes of raw cashew nuts, we forecast Tiebissou will generate revenues similar to those at Ayenouan in the first full year of production. Crucially, processing cashews is expected to be a higher margin activity than producing CPO. Therefore, while group revenues have the potential to double next year, net profits can be expected to increase by an even larger quantum. We are confident of securing sufficient quantities of RCN which will in turn enable the plant to achieve full capacity in a relatively short timeframe. Unlike palm oil, there is a major shortfall in cashew processing capacity in Cote d'Ivoire, which is one of the world's largest producers of raw cashew nuts. For example in 2018 c.

750,000 MT of raw cashew nuts were produced in Cote d'Ivore but only around 70,000 MT or 9% were processed in-country. Whilst local processing capacity is increasing as other groups have identified this opportunity, we believe that supply of raw cashew nuts will outstrip demand for the foreseeable future.

Such is the size of the shortfall that the mill at Tiebissou is being developed in such a way that capacity can be increased significantly in short order. With a nameplate capacity of 15,000 tonnes per annum, production at the plant can be ramped up by 50% at no extra cost by simply increasing the number of shifts from two to three. From 15,000tpa and at a cost of €5-6 million, the mill's capacity can be doubled to 30,000 tpa which we estimate could generate revenues in the region of €40 million per annum based on today's prices. For now, our focus is to bring Tiebissou online at a rate of 10,000tpa, before looking to increase this to 15,000tpa within 12-24 months and then using cashflows generated to expand the plant to 30,000tpa. Tiebissou will not only provide a one-off major boost to revenues and profits by adding another commodity to the portfolio, it will also provide us with a series of material step-ups in the Company's financial profile in the years ahead.

While COVID-19 led to a delay in the commencement of construction work, first production is on course for Q2 2021. This will not prevent the project from capitalising on 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 during the remainder of the year. We will therefore look to secure supplies during the 2021 peak season for processing throughout the year. As a result, we expect to see Tiebissou's transformative effect on the Company's bottom line.

Other projects

With Ayenouan firmly established and Tiebissou set to commence production in early 2021, low cost work continues to be carried out to put in place a pipeline of projects in line with our objective to build Dekel into a major West African focused agro-industrial business. Proceeding cautiously is the order of the day with regards to these plans given the current uncertain macro environment.

In December 2019, we signed a joint venture agreement with established renewable energy company Green Enesys Holdings to develop a hybrid power project ('HCTPP') in Côte d'Ivoire and since then a feasibility study has been initiated on the construction of a HCTPP comprising a 30MW solar PV plant and a 5-6MW biomass plant using empty fruit bunches from Dekel's mill at Ayenouan as feedstock. At the same time, we have been in regular dialogue with the relevant government ministries regarding the application and permitting process which has resulted in the initial focus being directed towards a 5-6MW biomass project at Ayenouan. Current work on the project is low cost and it is expected this will remain the case until a sustainable improvement in the macro economic environment is in evidence.

Also as previously disclosed, we have identified a third commodity where we believe we can leverage our existing infrastructure, logistics network and technical expertise to build a state of the art processing plant just as we have done at Ayenouan and are doing at Tiebissou. As with the clean energy joint venture, current work is low cost and will remain so, at least until Tiebissou is up and running.

Financial

During the six-month period under review, total revenues at Ayenouan were €15.4million, a 5% increase on the €14.6 million reported for H1 2019. A 19% increase in CPO prices achieved and a higher extraction rate more than offset lower year on year CPO production at the mill during the period (H1 2020: 23,882 tonnes / H1 2019: 28,934 tonnes) which in turn drove a 35.7% increase in EBITDA to €1.9 million and a major improvement at the net profit after tax level which came in at €0.4million compared to a €0.1million loss the previous year.

While Ayenouan has always been a low-cost and efficient operation, further cost savings were secured at both the project and corporate levels during the period so that general administration expenses in H1 2020 came in 7% lower than the previous year.

In June 2020, Bloomfield Investment Corporation, the credit rating agent for West Africa, renewed the Company's credit rating as investment grade unchanged: long term BBB- and short term A3.

Outlook

COVID-19 has caused much disruption to everyday life around the world and yet, despite this, much progress has been made by the Company both at our existing palm oil business at Ayenouan, which has materially improved in terms of financial performance in line with market expectations, and at our large scale cashew project at Tiebissou, which is due to commence production in Q2 2021. Bringing Tiebissou on stream will not just scale up and diversify our revenues, it will also add to the list of organic growth opportunities we can pursue within our existing portfolio. As well as increasing CPO production at Ayenouan towards its 60,000 tpa capacity as new estates planted across the region in recent years reach maturity, shareholders can also look forward to a two stage ramp up in processing capacity at Tiebissou first to 15,000tpa from 10,000tpa at no cost, and then to 30,000tpa.

Dekel has proven processing and logistics expertise and excellent relationships with the local communities in which we operate. We believe a highly cash generative platform is being established with a pipeline of additional projects which the Board are considering to add to the mix. While we are navigating our way through a challenging period we are quietly confident that Dekel is very well placed to deliver significant value for our shareholders as we head in 2021. As always, I would like to thank the Board, management, our employees and advisers for their support and hard work over the course of H1 and I look forward to continuing working with them closely during what promises to be an exciting period for Dekel.

Andrew Tillery

Non-Executive Chairman Date: 28 September 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2020	31 December 2019
	Unaudited	Audited
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	317	273
Trade receivables	519	-
Inventory	952	917
Accounts and other receivables	152	69
Total current assets	1,940	1,259
NON-CURRENT ASSETS:		
Property and equipment, net	29,697	30,308
Investment in an associate	1,951	1,998
Total non-current assets	31,648	32,306
Total assets	33,588	33,565

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2020	31 December 2019
	Unaudited	Audited
	Euros in thousands	

EQUITY AND LIABILITIES

CURRENT LIABILITIES:		
Short-term loans and current maturities of long-term loans	4,361	3,829
Trade payables	1,187	680
Advance payments from customers	-	1,169
Other accounts payable and accrued expenses	1,726	1,016
Total current liabilities	7,274	6,694
NON-CURRENT LIABILITIES:		
Long-term lease liabilities	78	90
Accrued severance pay, net	60	33
Long-term loans	12,826	13,963
Total non-current liabilities	12,964	14,086
Total liabilities	20,538	20,780
EQUITY		
Share capital	141	141
Additional paid-in capital	34,530	34,368
Accumulated deficit	(16,099)	(16,502)
Capital reserve	2,532	2,532
Capital reserve from transactions with non-controlling interests	(7,754)	(7,754)
Total equity	13,350	12,785
Total liabilities and equity	33,588	33,565

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

28 September 2020			
Date of approval of the financial statements	**Youval Rasin** **Director and Chief Executive Officer**	**Yehoshua Shai Kol** **Director and Chief Finance Officer**	**Lincoln John Moore** **Executive Director**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June		**Year ended 31 December**
	2020	**2019**	**2019**

	Unaudited	Unaudited	Audited
	Euros in thousands (except share and per share amounts)		
Revenues	15,423	14,607	20,947
Cost of revenues	(12,794)	(12,356)	19,252
Gross profit	2,629	2,251	1,695
General and administrative	1,413	1,528	3,158
Operating profit (loss)	1,216	723	(1,463)
Other income (expense)	(7)	33	-
Share of loss of associate	(47)		
Finance cost	(706)	(826)	1,829
Loss before taxes on income	456	(70)	(3,292)
Taxes on income	(53)	(20)	47
Net income (loss) and total comprehensive income (loss)	403	(90)	(3,339)
Income (loss) per share			
Basic and diluted income (loss) per share	0.00	(0.00)	(0.01)
Weighted average number of shares used in computing basic and diluted income (loss) per share	423,895,851	353,341,082	379,838,186

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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 2020 (audited)	141	34,368	(16,502)	2,532	(7,754)	12,785
Net income and total comprehensive income			403			403
	-	15				15

Issuance of shares								
Share-based compensation		147				147		
Balance as of 30 June 2020 (unaudited)	141	34,530	(16,099)	2,532	(7,754)	13,350		

	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	Non - controlling interest	Total Equity
	Euros in thousands							
Balance as of 1 January 2019 (audited)	99	29,862	(13,163)	2,532	(7,754)	11,576	-	11,576
Net loss and total comprehensive loss	-	-	(90)	-	-	(90)	-	(90)
Issuance of shares for acquisition of Pearlside	18	1,874	-	-	-	1,892	-	1,892
Exercise of options	*)	-	-	-	-	*)	-	*)
Non-controlling interests arising from initially consolidated company	-	-	-	-	-	-	1,432	1,432
Share-based compensation	-	77	-	-	-	77	-	77
Balance as of 30 June 2019 (unaudited)	117	31,813	(13,194)	2,532	(7,754)	13,514	1,432	14,946

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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 2019	99	29,862	(13,163)	2,532	(7,754)	11,576
Net loss and total comprehensive loss	-	-	(3,339)	-	-	(3,339)
Issuance of shares	42	4,186	-	-	-	4,228
Exercise of options	*)	-	-	-	-	*)
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 interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited	Unaudited	Audited
	Euros in thousands (except share and per share amounts)		
Cash flows from operating activities:			
Net income (loss)	403	(90)	(3,339)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Adjustments to the profit or loss items:			
Depreciation	669	655	1,357
Share-based compensation	147	77	320
Accrued interest on long-term loans and non-current liabilities	618	780	1,306
Change in employee benefit liabilities, net	27	16	1
Share of loss of associate	47		
Changes in asset and liability items:			
Decrease (increase) in inventories	(35)	(687)	626
Decrease (increase) in accounts and other receivables	(602)	326	351
Increase in trade payables	522	863	16
Increase (decrease) in advance payments from customers	(1,169)	(301)	(1,302)
Increase in Right-of-use lease		30	-
Increase in accrued expenses and other accounts payable	710	419	420
	1,278	2,088	3,095
Cash paid during the year for:			
Interest	(729)	(511)	(1,053)
	(729)	(511)	(1,053)

Net cash provided by (used in) operating activities	608	1,577	(1,297)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2020	**2019**	**2019**
	Unaudited	**Unaudited**	**Audited**
	Euros in thousands (except share and per share amounts)		
Cash flows from investing activities:			
Cash acquired upon acquisition of subsidiary		780	-
Investment in Pearlside		(144)	-
Purchase of property and equipment	(58)	(235)	(435)
Net cash provided by (used in) investing activities	(58)	401	(435)
Cash flows from financing activities:			
Issue of shares (offering net proceeds)		-	2,231
Long-term lease, net	(12)	(5)	(4)
Receipt of short-term loans, net	756	209	682
Receipt of long-term loans		-	7,200
Repayment of long-term loans	(1,250)	(1,513)	(8,366)
Net cash provided by (used in) financing activities	(506)	(1,309)	1,743
Increase in cash and cash equivalents	44	669	11
Cash and cash equivalents at beginning of period	273	262	262
Cash and cash equivalents at end of period	317	931	273
Supplemental disclosure of non-cash activities:			
Issuance of shares for services	15	15	-
Issuance of shares in consideration for investment in Pearlside	-	1,892	1,998

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

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.

b. As of 30 June 20 20 , the Company has a deficiency in working capital of approximately €5.3 million. During the first half of 2020, the Company generated positive cash flow from operations of € 608 thousand. This is despite cyclical low crude palm oil prices during 2019 followed by the COVID-19 pandemic that caused the CPO prices to decrease again after a short recovery at the beginning of 2020. During the three months subsequent to 30 June 2020, the CPO price is increasing back to more normal levels. Therefore, Company management expects that cash flow from operations for the entire year of 2020 will continue to be positive. 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 1c. below regarding the uncertainty of the impact the Coronavirus may have on the Group's future revenues, profitability, liquidity and financial position.

Based on the Company's current resources and its projected cash flows from its operations, Company management believes that it will have sufficient funds necessary to finance its operations and meet its obligations as they come due at least for the next twelve months from the date of the financial statements.

c. 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.

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NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

The interim condensed financial statements as of 30 June 2020 and for the six months then ended have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.
The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as of 31 December 2019 and the accompanying notes.

b. Accounting policies:

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

c. Fair value of financial instruments:

The carrying amounts of the Company's financial instruments approximate their fair value.

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