

*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.*

DekelOil Public Limited / Index: AIM / Epic: DKL / Sector: Food Producers

## **DekelOil Public Limited ('DekelOil' or 'the Company')**

### **Final Results**

DekelOil Public Limited, operator and 100% owner of the vertically integrated Ayenouan palm oil project in Côte d'Ivoire (the "Project"), is pleased to announce its final audited results for the year ended 31 December 2017.

The Company will be hosting a shareholder conference call at 2.00pm UK time on 2 July 2018. The call will be hosted by Executive Director, Lincoln Moore and Deputy CEO Shai Kol who will discuss the final results and the details of the Tiebissou cashew processing project. Further information on the call can be found at the end of this press release and a presentation will be uploaded to the DekelOil website prior to the conference call.

### **Key Highlights**

#### **Third consecutive set of record financial numbers**

- Record FY financial performance primarily due to stronger international prices and optimisation of local pricing:
  - 13.5% increase in revenues to €30.2m million (2016: €26.6m) - includes sale of Crude Palm Oil ('CPO'), Palm Kernel Oil ('PKO'), Palm Kernel Cake ('PKC') and Nursery Plants
  - 10% increase in EBITDA to €4.5 million (2016: €4.1 m)
  - 23% increase in profit after tax to €1.6m (2016: €1.3m)
- 38,736 tonnes of CPO produced in 2017 (2016: 39,111 tonnes) – stable full year volumes despite loss of 3,500 - 4,000 tonnes of production due to unscheduled downtime during May and June 2017 following two separate mechanical issues
- Dividend to be maintained at £500,000 in cash with a scrip alternative

#### **Commencement of development work at Guitry, DekelOil's second 100% owned palm oil project**

- As with Ayenouan, Guitry to be developed into a 'seed to oil' operation, including a computerised nursery and a state of the art mill producing CPO from FFB grown by both the Company and local smallholders on already cultivated or brownfield land
- Preparation of nursery site underway

#### **Multiple investments for future growth**

- Capacity at Ayenouan increased by 25% in January to 75 tonnes per hour ('tph') from 60 tph to increase volumes of CPO produced in the peak period

- Installation of a second boiler at Ayenouan and additional performance optimisation initiatives under consideration
- Entered into an option deed to acquire a 58% majority interest in Capro CI SA (“Capro”), a cashew project in Côte d’Ivoire (see 26 June 2018 announcement for full details)
- Development underway of a vertically integrated cashew processing project – similar model to flagship Ayenouan palm oil project:
  - intention to build a state of the art processing mill
  - relationships in place with local smallholders and cooperatives to supply cashews for processing
- Capro has potential to significantly scale and diversify DekelOil’s revenue base and profitability

**DekelOil Executive Director Lincoln Moore said,** “2017 has delivered a third consecutive year of record financial numbers and a second dividend distribution to our shareholders. DekelOil has come a long way since our admission to AIM and the commencement of construction of our state of the art mill at Ayenouan in 2014. Being an agricultural business, variables such as weather and international currency markets have an influence on year on year performance, but despite these Ayenouan has served to demonstrate the merits of the collaborative model we have adopted.

Together with a management team with a track record of delivering on time and on budget, DekelOil is ideally placed to roll-out its business model not just in other palm oil projects but also in other commodities. This is what we are doing at Guitry, our second palm oil project in Cote d’Ivoire, and at Tiebissou where post period end we secured an option at no initial cost to acquire a 58% interest in a 30,000 tpa cashew processing project. Our first five years on AIM have been transformative as DekelOil has become a profitable and dividend paying palm oil producer. I am confident that the next five years will prove to be just as transformational, as DekelOil becomes a multi-project, multi-commodity West African focused agricultural company.”

### **Issue of Equity and Total Voting Rights**

In addition, application has been made to the London Stock Exchange for the admission of a total of 81,779 ordinary shares of €0.0003367 each (“Ordinary Shares”) issued to certain advisers in settlement of fees for services provided (“Admission”). It is expected that Admission will become effective on 6 July 2018. The new Ordinary Shares will rank pari passu with the existing Ordinary Shares in issue. Following Admission, the Company’s total issued share capital will comprise 299,091,876 Ordinary Shares. This number may be used by shareholders in DekelOil as the denominator for calculation by which they determine if they are required to notify their interest in, or a change in their interest in, the share capital of DekelOil under the FCA’s Disclosure Guidance and Transparency Rules.

### **Conference Call**

To participate in the conference call to be held at 2.00pm UK time on 2 July 2018, 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 8289687# 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](mailto:shareholderenquiries@stbridespartners.co.uk).

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

For further information please visit the Company's website or contact:

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## CHAIRMAN'S STATEMENT

Five years ago, DekelOil joined London's AIM market with a vision to build a leading West African focused producer of sustainable palm oil. Having produced 38,736 tonnes of crude palm oil ('CPO') in 2017, today DekelOil is among the top producers in Côte d'Ivoire. We own one of West Africa's largest extraction mills as well as a computerised nursery at our flagship Ayenouan project; we have strong relationships with thousands of local smallholders who supply us with fresh fruit bunches; and we have a local customer base for our products which continue to diversify.

Our latest full year results show a third consecutive set of record financial numbers: revenues of €30.2 million, EBITDA of €4.5 million and net profit after tax of €1.6 million. These results could have been even better had there not been milling disruptions during the high season (see later).

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenues	€30.2m	€26.6m	€23.4m
EBITDA	€4.5m	€4.1m	€3.7m

Net Profit / (Loss) after Tax	€1.6m	€1.3m	€0.1m
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Central to our success has been placing smallholders at the heart of what we do, be it supplying local farmers with higher yielding plants from our nursery, establishing collection hubs to facilitate the delivery of fresh fruit bunches (“FFB’s”) from their farms, or funding initiatives for the local community. In addition, we have been working with the World Bank-backed *Projet d'Appui au Secteur de l'Agriculture de Côte d'Ivoire*, a project which aims to support and improve the local palm oil industry through initiatives such as improving the quality of the roads and providing 5,000ha of land suitable for smallholder palm oil operations. Together with our track record of revenue and profits growth, DekelOil has consistently shown that being socially responsible and profitable are not mutually exclusive.

We are keen to replicate the success we have enjoyed at our first project at Ayenouan elsewhere in the region, and with this in mind the year under review saw development work commence at Guitry, our second 100% owned palm oil project in Côte d'Ivoire, including the commencement of the preparation of our nursery site. As with Ayenouan, we plan to develop Guitry into a ‘seed to oil’ operation, including a computerised nursery and a state of the art processing mill producing CPO from FFB grown by both the Company and local smallholders on already cultivated or brownfield land.

Expansion is not however confined to palm oil and post period end we announced that DekelOil had entered into an option deed to acquire a majority stake in Capro CI SA (“Capro”) cashew project in Côte d'Ivoire. Aside from using a different feedstock, the project has a very similar model to the one we have successfully deployed at Ayenouan: identification of a lack of processing capacity in the locale; agreements with local smallholders to supply cashews for processing; intention to build a state of the art processing mill; and securing offtake agreements with local and global customers. We are confident the Capro project will prove to be a highly profitable project and that the option, if exercised, would generate value for DekelOil shareholders. However, and in line with our focus on risk management, we have structured the transaction in such a way so that the purchase price has been agreed on a set formula which in our view, is an attractive EBITDA valuation multiple only exercisable when the business hits certain EBITDA milestones.

Whilst the business model shares many similarities to our Ayenouan palm oil project there is one important difference which DekelOil stands to benefit from. While the production of cashews is still seasonal, unlike oil palm fruit, the cashew nuts can be stored and processed throughout the year. This enables cashew production to be smoothed out, thereby avoiding the large quarter on quarter fluctuations in output associated with CPO due to the timing of the peak harvesting season. Adding cashew production to our product mix therefore provides the opportunity to significantly scale up the business, while also diversifying our revenues by exposing us to new market dynamics and pricing.

We are excited by the cashew project however we will not allow this to deflect us from our focus on optimising operations at Ayenouan to ensure as much value as possible is extracted from each fruit delivered to our mill. The 2017 peak harvesting season saw us deploy an Empty Fruit Press for the first time, which allowed us to extract additional CPO from empty fruit bunches. We estimate the new press increased the total CPO extraction rate by at least a half a percentage point despite FFB oil content being

lower than that of previous years. At the same time, we installed an additional 3,000 tonne tank to increase overall CPO storage capacity at Ayenouan to 8,000 tonnes. The near doubling in storage capacity provides us with the flexibility to finesse the timing of CPO sales, thereby allowing sale prices to be maximised.

These and other initiatives played an important role in our stable full year CPO volumes despite losing approximately 3,500 - 4,000 tonnes of production due to unscheduled downtime at the extraction mill (the 'Mill') during May and June 2017 following two separate mechanical issues. The first related to blockages in production flow in the kernel separation process. The second related to an equipment failure within the de-oiling tank which the Mill's original engineer Modipalm has taken responsibility for and reimbursed the Company accordingly. The combination of stable year on year production and an 18%+ increase in CPO prices to €680 compared to the previous year (2016: €575) underpin the Company's record financial performance.

	<b>FY 2017</b>	<b>FY 2016</b>	<b>Increase / (Decrease)</b>
FFB collected (tonnes)	171,696	171,301	+0.2%
CPO production (tonnes)	38,736	39,111	-1.0%
CPO Sales (tonnes)	38,373	39,498	-2.8%
Average CPO price tonne	€680	€575	18.3%
Revenue (All products)	€30.2m	€26.6m	13.5%
Gross Margin	€6.9m	€6.6m	4.5%
Gross Margin %	22.8%	24.8%	-8.0%
EBITDA	€4.5m	€4.1m	9.8%
EBITDA %	14.9%	15.4%	-3.2%
NPAT	€1.6m	€1.3m	23.1%
NPAT %	5.3%	4.9%	8.2%

Post period end in January 2018, we announced further enhancements to our operations at Ayenouan, including a 25% increase in the capacity of the Mill to 75 tonnes per hour ('tph') from 60tph – generating increased CPO throughput in the peak season will be particularly valuable; and the installation of a second boiler for the Mill to minimise downtime in the event of a breakdown. Additional initiatives that could further optimise the performance of our operations at Ayenouan continue to be considered.

### **Financial**

During the year under review, total revenues from the processing of fresh fruit bunches were €30.2m (2016: €26.6m) which generated profit after tax of €1.6m (2016: €1.3m) and EBITDA of €4.5m (2016: €4.1m).

In September 2017, the Company paid out a maiden final dividend of 0.17 pence per ordinary share to shareholders for the year ended 31 December 2016. This followed the cancellation of certain capital notes during the period, the settlement of which was required before dividends could be distributed to ordinary shareholders.

## **Outlook**

Much has been achieved during the year under review, as we cement DekelOil's standing as a major palm oil producer in Côte d'Ivoire. Certainly this platform has enabled us to work through the current challenging period of prevailing market conditions experienced during the 2018 production high season so far. The lower FFB levels we are experiencing in this high season have come as a surprise as we had increased milling capacity in preparation for an anticipated increase in FFB levels. Unfortunately this has not been the case and we have to date seen weaker FFB volumes than in previous years. Our internal analysis indicates lower FFB volumes are agriculture related rather than a result of any loss in market share and our competitors in the region are experiencing a similar drop in FFB levels. These lower FFB volumes coupled with weaker international USD based CPO prices and a material strengthening of the Euro against the USD has resulted in these being the most challenging trading conditions we have experienced to date. We are working hard to minimise the impact of this and we are focused on controlling costs, particularly around logistics and staffing levels, to strengthen shareholder returns during this challenging period. The prevailing view of local and international agronomists we engage with is that a period of weaker agronomic conditions is typically followed by a very strong FFB crop the following year. If a strong crop is yielded, DekelOil is well positioned operationally to take full advantage when more supportive conditions return.

Looking beyond short term seasonal fluctuations, we have always said we would use Ayenouan as a springboard for expansion and this is the strategy we are now executing. 2017 saw us commence development work at Guitry, our second palm oil project in Côte d'Ivoire, which we believe has the potential to become a larger and more profitable operation than Ayenouan. In addition, post period end DekelOil entered into an option deed to acquire a 58% interest in a potentially highly profitable cashew nut project, which in our view, will significantly scale up and diversify our revenue base and profitability.

## **2017 Final Dividend**

The Board will shortly announce notice of its Annual General Meeting at which it will propose that the dividend be maintained at £500,000 for the 2017 financial year in cash or with a scrip alternative. The maintenance of the dividend on the same terms reflects a balancing between the improved financial result achieved in 2017 and the more challenging current harvesting conditions we are experiencing in early 2018.

Finally, I would like to thank the Board, management team and all our employees and advisers for their continued support and hard work over the course of the year. I look forward to working with them all closely in the year ahead as we focus on building value for all our shareholders.

Andrew Tillery

Non-Executive Chairman

Date: 27 June 2018

## **DIRECTORS REPORT**

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2017.

### **Principal Activities**

DekelOil Public Ltd. is a Cyprus based holding company which owns 100% per cent. of and is the operator of DekelOil Côte d'Ivoire SA, an oil palm development company established in the Republic of Côte d'Ivoire.

### **Group Results**

The Group results are stated in thousands Euros. The Group made operating net profit after tax of €1.6 million (2015 - €1.3 million). The Directors recommend the payment of a dividend of £500,000 (2016 - £500,000).

### **Review of the Business**

A review of the business for the year is set out in the Chairman's Statement.

### **Key Performance Indicators**

The Group implemented the following key performance indicators during 2017:

<b>Key Performance Indicator</b>	<b>Budget</b>	<b>Actual</b>
FFB Received	190,000 tn	171,696 tn
CPO Extraction Rate	23.6%	22.6%
CPO Produced	44,840 tn	38,738 tn

### **Future Developments**

Future Developments are outlined in the Outlook section of the Chairman's Statement.

### **Going Concern**

The Directors have prepared cash flow forecasts and budgets that show that, for a period of at least twelve months from the date of signing these Financial Statements, the Group expects to have sufficient resources to continue its business. Accordingly, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis.

### **Events After the Reporting Period**

Events after the Reporting Period are outlined in Note 21 to the Financial Statements.

## Directors

Details of Directors' interests as at 26 June 2017 in share options and warrants are set out in the table below:

	<i>Number of Ordinary Shares</i>	<i>Number of Vested Options</i>	<i>Number of Unvested Options</i>
<b>Andrew Tillery</b>	-	1,778,512	21,488
<b>Youval Rasin</b>	47,964,514	2,178,512	1,621,488
<b>Yehoshua Shai Kol</b>	10,725,770	2,178,512	1,621,488
<b>Lincoln John Moore</b>	1,367,500	2,200,000	0
<b>Bernard Francois</b>	-	-	-

## Substantial Shareholding

As at 27 June 2018, the Company had been notified of the following substantial shareholdings in the ordinary share capital:

### Directors

Youval Rasin	16.0%
Shai Kol	3.6%

### Over 3%

Miton UK Microcap Trust plc	16.0%
Biopalm Energy Limited	11.9%
Yossi Inbar	5.3%

## Corporate Governance

Audit and Remuneration Committees have been established and in each case comprise Andrew Tillery, Lincoln Moore and Bernard Francois.

The role of the Remuneration Committee is to review the performance of the executive Directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Group's employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and receives and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Group and its accounting policies.

## Suppliers' Payment Policy

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and

conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days purchases represented by year end payables is therefore not meaningful.

### **Directors' Indemnities**

In accordance with the Companies (Audit Investigations and Community Enterprise) Act 2004, which came into force on 6 April 2005, the Company has indemnified the Directors against liability to third parties, and undertaken to pay Directors' legal costs as incurred, provided that they are reimbursed to the Company if the individual is convicted.

By Order of the Board

Lincoln Moore, Executive Director

Date: 27 June 2018

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December	
		2017	2016
		Euros in thousands	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		775	1,978
Inventory		1,369	1,129
Accounts and other receivables	5	317	583
<u>Total</u> current assets		2,461	3,690
<b>NON-CURRENT ASSETS:</b>			
Property and equipment, net	6	31,449	30,325
<u>Total</u> non-current assets		31,449	30,325
Total assets		33,910	34,015

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December	
		2017	2016
		Euros in thousands	
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term loans and current maturities of long-term loans	9	4,450	2,737
Trade payables		193	538
Advance payments from customers		573	1,265
Other accounts payable and accrued expenses	7	929	524
<u>Total</u> current liabilities		6,145	5,064
<b>NON-CURRENT LIABILITIES:</b>			
Long-term financial lease	8	46	62
Accrued severance pay, net		36	61
Long-term loans	9	13,017	15,722
Capital notes	10	-	1,979
<u>Total</u> non-current liabilities		13,099	17,824
<u>Total</u> liabilities		19,244	22,888
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Total equity	11	14,666	11,127
<u>Total</u> liabilities and equity		33,910	34,015

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Year ended 31 December	
		2017	2016
		Euros in thousands (except share and per share amounts)	
Revenues	12	30,227	26,551
Cost of revenues	15a	<u>(23,314)</u>	<u>(19,921)</u>
Gross profit		6,913	6,630
General and administrative	15b	<u>(3,591)</u>	<u>(3,192)</u>
Operating profit		3,322	3,438
Finance cost	15c	<u>(1,663)</u>	<u>(2,079)</u>
Income before taxes on income		1,659	1,359
Taxes on income	14	<u>(104)</u>	<u>(13)</u>
Net income and total comprehensive income		<u>1,555</u>	<u>1,346</u>
Attributable to:			
Equity holders of the Company		1,555	316
Non-controlling interests		<u>-</u>	<u>1,030</u>
Net income and total comprehensive income		<u>1,555</u>	<u>1,346</u>
Net income per share attributable to equity holders of the Company:			
Basic and diluted income per share		<u>0.01</u>	<u>0.00</u>
Weighted average number of shares used in computing basic and diluted income per share		<u>296,153,368</u>	<u>205,798,786</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Total equity
	Share capital	Additional paid-in capital	Accumulated deficit	Capital reserve	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	
	Euros in thousands							
Balance as of 1 January 2016	50	7,535	(11,207)	2,532	5,526	4,436	5,041	9,477
Net income and total comprehensive income	-	-	316	-	-	316	1,030	1,346
Issuance of shares, net of expenses (Note 11)	33	14,760	-	-	-	14,793	-	14,793
Acquisition of non-controlling interests (Note 11a)	12	4529	-	-	(13,280)	(8,739)	(6,071)	(14,810)
Share-based compensation	-	321	-	-	-	321	-	321
Balance as of 31 December 2016	95	27,145	(10,891)	2,532	(7,754)	11,127	-	11,127
Net income and total comprehensive income	-	-	1,555	-	-	1,555	-	1,555
Conversion of liability to equity (Note 10)	4	1,976	-	-	-	1,980	-	1,980
Issuance of shares (Note 11)	*)	36	-	-	-	36	-	36
Exercise of warrants	*)	121	-	-	-	121	-	121
Dividend distribution	*)	150	(544)	-	-	(394)	-	(394)
Share-based compensation	-	241	-	-	-	241	-	241
Balance as of 31 December 2017	99	29,669	(9,880)	2,532	(7,754)	14,666	-	14,666

\*) Represents an amount lower than €1.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>Euros in thousands</b>	
<u>Cash flows from operating activities:</u>		
Net income	1,555	1,346
Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments to the profit or loss items:		
Depreciation	1,136	705
Share-based compensation	241	321
Accrued interest on long-term loans and non-current liabilities	1,301	1,995
Change in employee benefit liabilities, net	(25)	21
Changes in asset and liability items:		
Increase in inventories	(240)	(257)
Decrease (increase) in accounts and other receivables	295	(298)
Decrease in trade payables	(309)	(272)
Increase (decrease) in advance from customers	(692)	984
Increase (decrease) in accrued expenses and other accounts payable	405	(540)
	<u>2,112</u>	<u>2,659</u>
Cash paid during the year for:		
Taxes	(29)	(23)
Interest	(1,330)	(2,456)
	<u>(1,359)</u>	<u>(2,479)</u>
Net cash provided by operating activities	<u>2,308</u>	<u>1,526</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>Euros in thousands</b>	
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(2,250)	(2,024)
Net cash used in investing activities	<u>(2,250)</u>	<u>(2,024)</u>
<u>Cash flows from financing activities:</u>		
Purchase of non-controlling interests	-	(14,810)
Net proceeds from issuance of shares	-	14,793
Exercise of warrants	121	-
Dividend distribution in cash	(394)	-

Repayment of long-term lease	(16)	(11)
Receipt of short-term loans	1,524	-
Receipt of long-term loans	254	18,266
Repayment of long-term loans	<u>(2,750)</u>	<u>(16,173)</u>
Net cash provided by (used in) financing activities	<u>(1,261)</u>	<u>2,065</u>
Increase (decrease) in cash and cash equivalents	(1,203)	1,567
Cash and cash equivalents at beginning of year	<u>1,978</u>	<u>411</u>
Cash and cash equivalents at end of year	<u>775</u>	<u>1,978</u>
<u>Supplemental disclosure of non-cash activities:</u>		
Conversion of capital note to equity	1,980	-
Purchase of non-controlling interests by issuance of shares	-	4,541
Non-cash purchase of property and equipment	-	42

#### NOTE 1:- GENERAL

- a. DekelOil Public Limited ("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. CS DekelOil Siva Ltd. ("DekelOil Siva") a company incorporated in Cyprus, was a 51%-owned subsidiary of the Company while the remaining 49% of its shares were owned by Biopalm Energy Limited ("Biopalm"). During 2016 the Company purchased all of Biopalm's holding in DekelOil Siva, and presently 100% of DekelOil Siva is owned by the Company.
- c. The Company established a subsidiary in Cote d'Ivoire, DekelOil CI SA, currently held 99.85%, by DekelOil Siva. DekelOil CI SA 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.
- d. DekelOil Consulting Ltd, located in Israel and a wholly-owned subsidiary of DekelOil Siva, is engaged in providing services to the Company and its subsidiaries.
- e. As of 31 December 2017, the Company has a deficiency in working capital of approximately € 3.6 million. Since commencement of production and sale of palm oil in 2014, the Company has generated positive cash flows from its operations. Company's management expects the positive cash flows to continue to grow as the Company increases its production capacity. However, there is no certainty that the Company will be able to meet management's projections as to increased production and positive cash flows from such production. Furthermore, the operations of the Company are subject to various market conditions that are not under the Company's control that could have an adverse effect on the Company's cash flows.

Based on the Company's current resources (including a long-term financing facility – see Note 9c.4) 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 the financial statements are approved.

g. Definitions:

The Group - DEKELOIL PUBLIC LIMITED and its subsidiaries.

The Company - DEKELOIL PUBLIC LIMITED.

Subsidiaries - Companies that are controlled by the Company- CS DekelOil Siva Ltd, DekelOil CI SA, DekelOil Consulting Ltd.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

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

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 nature 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. 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.

d. 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.

e. Financial instruments:

1. Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs.

After initial recognition, loans are measured based on their terms at amortized cost using the effective interest method and less any impairment losses. Short-term receivables are measured based on their terms, normally at face value.

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented net of directly attributable transaction costs. After initial recognition, loans and other liabilities are measured based on their terms at cost less directly attributable transaction costs using the effective interest method.

3. 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 or the Company has transferred its contractual rights to receive cash flows from the financial asset or

assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

4. Extinguishing financial liabilities with equity instruments:

Equity instruments issued to extinguish a financial liability to shareholders are measured at the carrying amount of the financial liability extinguished.

f. 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.

g. Leases:

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 out 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:

	<u>%</u>
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.

k. Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the

transaction can be measured reliably. Revenues are measured at the fair value of the consideration received less any trade discounts, volume rebates and returns.

Following are the specific revenue recognition criteria which must be met before revenue is recognized:

*Revenues from the sale of goods:*

Revenues from the sale of goods are recognized when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which ownership passes.

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.

**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.

- Deferred tax assets:

Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

#### **NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION**

- a. IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if certain conditions are met. Subsequent measurement of all other debt instruments and financial assets should be at fair value.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognizing and to financial liabilities for which the fair value option has not been elected. IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018.

The Company believes that the new Standard is not expected to have a material impact on the financial statements.

- b.

#### **IFRS 15, "Revenue from Contracts with Customers":**

In May 2014, the IASB issued IFRS 15 ("IFRS 15").

IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of

Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

Step 1: *Identify the contract with a customer*, including reference to contract combination and accounting for contract modifications.

Step 2: *Identify the separate performance obligations in the contract*

Step 3: *Determine the transaction price*, including reference to variable consideration, financing components that are significant to the contract,

non-cash consideration and any consideration payable to the customer.

Step 4: *Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.*

Step 5: *Recognize revenue when the entity satisfies a performance obligation over time or at a Point in time.*

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of comparative periods is required.

The Company believes that the new Standard is not expected to have a material impact on the financial statements.

c. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new 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. According to the new Standard:

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".
- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expenses separately.
- The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.
- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15 is applied concurrently.

The Company believes that the new Standard is not expected to have a material impact on the financial statements.

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 is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches:

(i) Full retrospective adoption, without restating comparative data, by recording the cumulative effect through the date of initial adoption in the opening balance of retained earnings.

(ii) Full retrospective adoption including restatement of comparative data.

The Company is evaluating the possible impact of the adoption of the Interpretation but is presently unable to assess its effect, if any, on the financial statements.

**NOTE 5:- ACCOUNTS AND OTHER RECEIVABLES**

	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>Euros in thousands</b>	
Government authorities (VAT)	3	7
Prepaid expenses and other receivables	293	542
Loans to employees	21	34
	<u>317</u>	<u>583</u>

**NOTE 6:- PROPERTY AND EQUIPMENT, NET**

Composition and movement:

	<b>Computer s and periphera l equipmen t</b>	<b>Equipme nt and furnitur e</b>	<b>Motor vehicles</b>	<b>Agricultur e equipmen t</b>	<b>Extractio n mill and land</b>	<b>Palm oil plantatio ns</b>	<b>Total</b>
	<b>Euros in thousands</b>						
<b>Cost:</b>							
Balance as of 1 January, 2016	230	84	891	376	22,297	6,901	30,779
Acquisitions during the year	64	5	299	84	1,363	222	2,037
Disposals during the year	-	-	(56)	-	-	(36)	(92)
Capitalized borrowing costs	-	-	-	-	29	-	29
Balance as of 31 December, 2016	<u>294</u>	<u>89</u>	<u>1,134</u>	<u>460</u>	<u>23,689</u>	<u>7,087</u>	<u>32,753</u>
Acquisitions during the year	35	11	268	-	1,570	366	2,250
Disposals during the year	-	-	(143)	-	-	-	(143)
Capitalized borrowing costs	-	-	-	-	48	-	48
Balance as of 31 December, 2017	<u>329</u>	<u>100</u>	<u>1,259</u>	<u>460</u>	<u>25,307</u>	<u>7,453</u>	<u>34,908</u>
<b>Accumulated depreciation:</b>							
Balance as of 1 January 2016	74	42	268	345	962	124	1,815
Depreciation during the year	44	7	191	7	273	183	705
Disposals during the year	-	-	(56)	-	-	(36)	(92)
Balance as of 31 December 2016	<u>118</u>	<u>49</u>	<u>403</u>	<u>352</u>	<u>1,235</u>	<u>271</u>	<u>2,428</u>

Depreciation during the year	31	16	183	14	724	168	1,136
Disposals during the year	-	-	(105)	-	-	-	(105)
Balance as of 31 December 2017	149	65	481	366	1,959	439	3,459
Depreciated cost as of 31 December 2017	180	35	778	94	23,348	7,014	31,449
Depreciated cost as of 31 December 2016	176	40	731	108	22,454	6,816	30,325

For further information about the Company lease agreement see also Note 8.

**NOTE 7:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	31 December	
	2017	2016
	Euros in thousands	
Employees and payroll accruals	169	202
VAT payable	617	212
Other accounts payable	143	110
	929	524

**NOTE 8:- LONG-TERM FINANCIAL LEASES**

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.

**NOTE 9:- LOANS**

a. Long-term loans:

	Currency	Interest rate as of 31 December 2017	31 December	
			2017	2016
			Euros in thousands	
SGBCI (c.1)	In FCFA	7%	254	208
BGFI(c. 5)	In FCFA	10%	497	534
NSIA (c.2 and c.3)	In FCFA	7.1%,8.4%	7,995	9,332
SOGEBOURSE (c.4)	In FCFA	6.9%	7,188	8,383
Total loans			15,934	18,457
Less - current maturities			(2,917)	(2,735)
			13,017	15,722

b. Short-term loans and current maturities:

Interest rate	31 December
---------------	-------------

		<u>2017</u>	<u>2016</u>
		<u>Euros in thousands</u>	
Short-term loan from bank	7.25%	1,533	2
Current maturities - per a. above		<u>2,917</u>	<u>2,735</u>
		<u>4,450</u>	<u>2,737</u>

- 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. . During 2017 DekelOil CI SA repaid approximately €178 thousand and received approximately € 223 thousand.
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 shall bear interest at a rate of 8.4% per annum.
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 shall be repaid over 7 years in equal monthly payments. The loan shall bear 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. As of 31 December 2017, DekelOil CI SA has met these financial covenants.  
On 22 March 2016 NSIA transferred the funds and the EBID loan was repaid in full.
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 in order to refinance the West Africa Development Bank ("BOAD") loan The loan shall be repaid over 7 years in fourteen semi annual payments. The loan shall bear 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.  
See also Note 19- Subsequent events
5. In October 2016 DekelOil CI SA signed a loan agreement with the Banque Gabonaise Francaise International ("BGFI") for FCFA 350 million (approximately €534 thousand) to finance certain investments (EFB press). The loan is for a term of four years with a grace period of one year. The loan shall bear interest at a rate of 10% per annum.  
See also Note 19 – Subsequent events.

#### **NOTE 10:- CAPITAL NOTES**

Due to shareholders:

31 December

	<u>2017</u>	<u>2016</u>
	<u>Euros in thousands</u>	
Balance due	-	1,980

In the years 2008 to 2010, the shareholders of the Company invested certain amounts in the Company by way of capital notes.

The capital notes were linked to the Euro and were payable by the earlier of: (a) prior to first dividend distribution by the Company to its shareholders, or (b) on 31 January 2017, provided the Company had profits available for distribution. Payment of the principal of these capital notes was subordinated and junior in right of payment to the Company's obligation to pay principal and interest on its indebtedness.

The differences between the face amounts of the capital notes according to their terms and their fair value at the date of investment were recorded as a capital reserve in the aggregate amount of € 2,532 thousand.

In 2013 a portion of the capital notes were cancelled in consideration for the issuance of Ordinary shares and warrants. As of 31 December 2016, the face amount of the outstanding capital notes amounted to € 2,000,000.-

On 16 January 2017 the outstanding capital notes were converted into 12,578,616 new Ordinary shares at 13.25 pence per share.

#### NOTE 11:- EQUITY

a. Composition of share capital:

	<u>31 December</u>		<u>31 December</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>Authorized</u>		<u>Issued and outstanding</u>	
	<u>Number of shares</u>			
Ordinary shares of € 0.0003367 par value each	400,000	400,000,000	298,381,700	283,279,151

Ordinary shares:

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.

In June 2016, the Company consolidated all of the issued and unissued shares so that every 10 Ordinary shares of nominal value of €0.0003367 per share were consolidated into one Ordinary share of €0.0003367 each. All share and per share amounts in these financial statements have been retroactively adjusted to reflect this consolidation.

In June 2016, the Company increased its equity by £14,793 thousand (€15,961 thousand before fund raising costs of €1,168 thousand) by issuing 93,322,208 new Ordinary shares for funds raised. The proceeds were used to purchase an additional 34.75% of the issued share capital of CS DekelOil Siva Limited from Biopalm Energy Limited.

On 20 December 2016, Biopalm Energy Limited exercised an option it had following this purchase to sell to the Company its remaining 14.25% holdings in CS DekelOil Siva Limited in consideration for 35,455,111 new Ordinary shares issued by the Company. As a result of the acquisition of the entire non-controlling interest, the Company recorded a charge to capital reserve in equity of € 13,280 thousand.

On 4 September 2017 the Company distributed €544 thousand (£500 thousand) as a dividend to its shareholders (0.17 pence per Ordinary share). The dividend was paid partly in cash, €394 thousand, and partly in shares (to shareholders who elected to receive the scrip dividend alternative). Based on a dividend reference price of 11.8 pence per share, a total of 1,192,242 Ordinary Shares were allotted by the Company with a total value of €150 thousand.

On 29 September 2017 a broker of the Company exercised a warrant to purchase 1,070,000 Ordinary shares at an exercise price of £0.1 per share. The total consideration from the exercise amounted to approximately € 121 thousand.

In 2017 the Company issued 261,691 Ordinary shares to certain brokers in consideration for services provided. The fair value of the shares issued amounting to € 36 thousand was recorded in general and administrative expenses.

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 employees 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 employees 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 to 1,200,000 options to purchase ordinary shares over three years at an exercise price of €0.1359 (vested linearly over the period).

A summary of the activity in options for the years 2017 and 2016 is as follows:

<b>Year ended 31 December</b>			
<b>2017</b>		<b>2016</b>	
<b>Number of options</b>	<b>Weighted average</b>	<b>Number of options</b>	<b>Weighted average</b>

		<u>exercise price-Euro</u>		<u>exercise price-Euro</u>
Outstanding at beginning of year	9,900,000	0.2122	9,900,000	0.2122
Granted	11,950,000	0.1359	-	-
Outstanding at end of year	21,850,000	0.1705	9,900,000	0.2122
Exercisable options	<u>10,822,107</u>	<u>0.1949</u>	<u>6,025,620</u>	<u>0.1723</u>

c. Capital reserve

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

**NOTE 12:- 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:

	<u>Year ended 31 December</u>	
	<u>2017</u>	<u>2016</u>
	<u>Euros in thousands</u>	
Revenues from major customers which each accounts for 10% or more of total revenues reported in the financial statements:		
Customer A -	20,126	16,453
Customer B -	3,901	3,471

**NOTE 13:- 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 €15,975 thousands and € 18,457 thousands (including current maturities) approximates their fair value as of 31 December 2017 and 2016, respectively (level 3 of the fair value hierarchy).

**NOTE 14:- 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 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 2015.

As of 31 December 2017 the Company and all its other subsidiaries had not yet received final tax assessments

c. The tax expenses during the year ended December 31, 2017 includes mainly turnover tax of the Company's subsidiary, DekelOil CI SA.

**NOTE 15:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME**

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016*</b>
	<b>Euros in thousands</b>	
a. Cost of revenues:		
Cost of fruits	18,478	16,055
Salaries and related benefits	1,354	1,205
Cultivation & Nursery costs	751	537
Vehicles	577	372
Maintenance and other operating costs	1,264	937
Depreciation	890	591
	<u>23,314</u>	<u>19,697</u>
b. General and administrative expenses:		
Salaries and related benefits	1,628	1,532
Subcontractors	153	148
Rents & related and office expenses	247	371
Travel expenses	154	231
Legal & accounting and professional fees	298	182
Vehicle maintenance	125	99
Insurance	165	117
Brokerage & nominated advisor fees	83	88
Depreciation	246	113
Share-based compensation	241	321
Other	251	214
	<u>3,591</u>	<u>3,416</u>
c. Finance cost:		
Interest on loans	1323	1,970
Bank loans and fees	278	57
Exchange rate differences	62	52
	<u>1,663</u>	<u>2,079</u>

Net of amounts capitalized

48

29

**\*) Reclassified**

#### **NOTE 16:- INCOME PER SHARE**

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

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>Euros in thousands</b>	
Income attributable to equity holders of the Company	1,555	316
Weighted average number of Ordinary shares for computing basic and diluted earnings (loss) per share	296,153,368	205,798,786

In 2017 and 2016, the inclusion of share options in the calculation of diluted earnings per share has no effect on basic earnings per share.

#### **NOTE 17:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>Euros in thousands</b>	
a(1). Balances:		
Capital notes (1)	-	1,979
Other accounts payable and accrued expenses	10	34
a(2) Transactions:		
Services and expense reimbursements (2)	534	410
Interest on capital notes	-	220
b. Compensation of key management personnel of the Company:		
Short-term employee benefits	579	619
Share-based compensation	189	321

1) See Note 10.

2) See c. 3, c. 4 and c.5.

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 Consulting and the chairman of the Board of Directors of DekelOil CI SA.

Under the employment agreement, the director is entitled to a monthly salary of € 20,000 per month. The agreement is terminable by the Company with 24 months' notice. The total annual salary, social benefits, bonuses including management fee (see also (3) below) paid to the employee during 2016 and 2017 was approximately €281 thousand and € 284 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 terms as the employee described in c(1) above. The total annual salary and social benefits paid to the employee during 2016 and 2017 was approximately €221 thousand and € 223 thousand, respectively.
3. On 20 May 2008, the Company signed a service agreement with Starten Ltd, a related company for a total remuneration of € 5,000 per month. The Company and Starten can terminate the agreement with a notice of 60 days. During 2016 and 2017 the amount of € 88 thousand and € 87 thousand, respectively, was paid per year under this service agreement. The amount was paid to the party in c.1 above.
4. In July 2012 a subsidiary of the Company entered into an agreement with a related party of a shareholder who is also a director of the Company and the chairman of the Board of Directors of the Company's subsidiary. For these services the related party is entitled to receive € 4,000 per month.
5. 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. During 2016 and 2017 the subsidiary paid to the related company for these services approximately €254 thousand and €381 thousand.

#### NOTE 18:- 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 IAS 39:

	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>Euros in thousands</b>	
Financial liabilities measured at amortized cost:		
Long-term capital lease	46	62
Long-term loans (including current maturities)	15,975	18,457
Capital notes	-	1,979
Total	<u>16,021</u>	<u>20,498</u>

- 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 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 €91 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 2017 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 2017

	<b>Less than one year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>4 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
<b>Euros in thousands</b>							
Long-term loans (1)	2,936	4,157	3,785	3,284	3,093	2,580	19,835
Short-term loan (2)	1,533	-	-	-	-	-	1,533
Trade payables and other accounts payable	1,122	-	-	-	-	-	1,122
Long-term capital lease	18	18	13	5	5	340	399
	<u>5,609</u>	<u>4,175</u>	<u>3,798</u>	<u>3,289</u>	<u>3,098</u>	<u>2,920</u>	<u>22,889</u>

31 December 2016

	<b>Less than one year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>4 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
<b>Euros in thousands</b>							
Long-term loans (1)	3,882	3,966	3,763	3,483	3,083	4,045	22,222
Trade payables and other accounts payable	2,327	-	-	-	-	-	2,327
Long-term capital lease	18	18	18	13	5	345	417
Capital note	-	2,000	-	-	-	-	2,000
	<u>8,227</u>	<u>5,984</u>	<u>3,781</u>	<u>3,496</u>	<u>3,088</u>	<u>4,390</u>	<u>26,966</u>

(1) Including current maturities.

(2) See also Note 19: Subsequent Events.

Movement in financial liabilities:

	<b>Short term loans</b>	<b>Long term loans</b>	<b>Financial lease</b>	<b>Capital notes</b>	<b>Total</b>
Balance as of 1 January 2017	2	18,457	62	1,980	20,501
Conversion of capital note to equity	-	-	-	(1,980)	(1,980)
Repayment of long-term lease	-	-	(16)	-	(16)
Receipt of short-term loans	1,524	-	-	-	1,524
Receipt of long-term loans	-	254	-	-	254
Interest	7	(27)	-	-	-
Repayment of long-term loans	-	(2,750)	-	-	(2,750)
Balance as of 31 Decembe, 2017	<u>1,533</u>	<u>15,934</u>	<u>46</u>	<u>-</u>	<u>17,533</u>

#### **NOTE 19:- SUBSEQUENT EVENTS**

In February 2018 the Company's subsidiary 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. The loan is for 7 years and bears interest at a rate of 6.85% per annum (the same terms as the existing long-term loan from Sogebourse). 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. Subsequent to the drawdown of the second tranche, the unutilized portion of the Loan Facility is FCFA 1.7 billion (€ 2,591 million).