DekelOil

2018

CONSOLIDATED FINANCIAL STATEMENTS

DEKELOIL PUBLIC LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2018

EUROS IN THOUSANDS

INDEX

CHAIRMAN'S STATEMENT

Our corporate vision is to build DekelOil into a multi-commodity, multi-project, agri-industrial company; one that not only maximises value for shareholders at an acceptable level of risk, but also places local farmers and smallholders at the heart of its operations. Central to the collaborative model we have adopted is developing a portfolio of producing projects located in areas where there is an identified shortfall in processing capacity. As well as increasing the number of outlets for local smallholder output, this promises to scale up and diversify our revenue streams, thereby mitigating the financial impact of weak harvests and commodity prices and providing us with a strong platform for future growth.

2018 provides an unwelcome example of the effects poor trading conditions can have on the financial results of an agriculture company reliant on a single project and a single commodity. The combination of global palm oil prices reaching long term cyclical lows and unusually low yields during Côte d'Ivoire's peak harvest season prevented a fourth consecutive set of record financial results for the Company. While yields have already recovered to more normal levels post period end, 2018 has highlighted the need to press ahead with our roll-out strategy to add a second producing project and a second commodity to our portfolio. Much progress has been made during the year under review. Specifically, DekelOil currently holds a 37.8% interest in a large-scale cashew processing project at Tiebissou (which completed shortly after 2018 year end), Cote d'Ivoire, along with an option to acquire an additional 17% of the project. With the 12 month construction phase at Tiebissou expected to commence imminently, next year's 2019 Annual Report is on course to be DekelOil's last as a single project, single commodity producer.

Until Tiebissou is operational, the vertically integrated palm oil project at Ayenouan remains DekelOil's sole producing operation. Since we built and commissioned our state-of-the-art mill in 2013/14, Ayenouan has produced over 175,000 tonnes of crude palm oil, over 12,000 tonnes of Palm Kernel Cake ('PKC') and nearly 10,000 tonnes of Palm Kernel Oil ('PKO'). During that time, average annual prices achieved for our Crude Palm Oil ("CPO") have been as high as 2017's €680 per tonne and as low as the €520 per tonne reported post period end for Q1 2019, a continuation of the trend we experienced in 2018. This, together with a poor high season harvest in 2018 resulted in full year revenues falling to €20.9 million (2017: €30.2 million); an EBITDA of -€0.2 million (2017: 4.5 million), and a net loss after tax of -€3.3 million (2017: €1.6 million).

The poor harvest in 2018 affected all producers in the region and it is encouraging that the Company's market share of fruit delivered to the mill as a proportion of total volumes harvested remained stable. Furthermore, local industry updates produced by mills across the country reported similar declines in CPO volumes compared to the equivalent period last year. Based on historical data, poor crop years in Côte d'Ivoire are the exception rather than the norm. As we noted in the half yearly report in September 2018, eight years had elapsed since the last weak peak harvest in the country, in 2010. This was followed by a rebound to more normal levels of fruit harvested the following year. We were therefore optimistic that, in line with historical precedence, 2018 will prove to be a one-off. This is proving to be the case and post period end in April 2019, we were pleased to report fresh fruit bunches ("FFB") delivered to the mill in Q1 2019 increased by 16.5% year on year to 69,340 tonnes, while CPO produced rose 10% to 14,921 tonnes.

During the five years in which our mill at Ayenouan has been producing CPO, a constant priority for the management team has been to squeeze as much value as possible from each fruit delivered. Over the years this focus has seen us expand storage capacity to secure sales at more favourable prices; acquire an Empty Fruit Press to extract additional CPO from empty fruit bunches; roll out logistics hubs to facilitate the collection of fruit from local smallholders; and enhance the capacity of the mill from 60 to 75 tons per hour. The year under review has been no different. In addition to achieving further reductions to our cost base, initiatives geared towards optimising operations at Ayenouan in response to the challenging conditions included the establishment of a fourth collection hub and the stepping up of efforts to secure external supplies of kernels for processing into PKO and PKC from mills which do not have the capacity to do this. A 14.3% year on year increase in PKO production to 2,918 tonnes and an 8% improvement in PKC volumes produced to 3,721 tonnes is testament to the success of this initiative.

Another of our medium to long term strategies is to implement a sustainable financing solution which will enable farmers to apply fertilizer irrespective of the low prices of FFB. Farmers can potentially double their yield with the application of fertilizer and best management practice. Our view is that an effective financing facility is not about grants or long-term loans but rather a gradual increase of a fertilization programme recovered on a monthly basis from FFB delivered to keep funds loaned to farmers to a manageable level and encourage farmers to deliver FFB to our Mill in order to gain continued access to the fertilizer programme. We believe the successful ramp up of this programme will further strengthen our relations with the farmers and gradually increase yields in our region.

The immediate recovery in fruit harvested to more typical levels and the expected continued increase in fruit harvested over time is positive but it is only half of the story. A recovery in CPO prices is also needed for Ayenouan to achieve, and go on to better, previous levels of profitability. Like all commodities, CPO prices are cyclical and history indicates that periods of low prices are typically followed by periods of higher prices. The average CPO price over the past 10 years is c.US$800, which is approximately 30% above prices achieved in 2018, and suggests there will be a period of more supportive pricing conditions ahead, albeit forecasting the timing of price improvements is very challenging.

While we cannot be certain that global CPO prices will show a material recovery in 12 months' time, we do expect that by this time next year operations would have commenced at an initial 10,000 tpa cashew processing plant at Tiebissou. At this point, DekelOil will be exposed to the attractive economics of processing cashews grown by local smallholders in Côte d'Ivoire where, despite being the world's top cashew producer, there is a large shortfall in processing capacity. The Tiebissou project will allow more of this added value to be kept in-country. As with Ayenouan, Tiebissou will adopt a collaborative model and relationships are already in place with local co-operatives to supply raw cashew nuts ("RCN") to the project.

We originally secured an option agreement to acquire a 58% interest in Capro CI SA ('Capro'), which is developing the RCN processing plant at Tiebissou in Côte d'Ivoire, in June 2018. Following progress made on the ground, DekelOil elected to convert a portion of its option early which, together with a recent €1 million equity injection by an external party, resulted in Dekeloil securing a 37.8% stake in Tiebissou with an option to acquire a further 17% interest. The early conversion was settled via the issue of new DekelOil shares at a 46.3% premium to the last available closing share price. Based on our view of the attractive economics associated with processing cashews and the scale of the planned operations, we believe our investment in Tiebissou will significantly scale up and diversify DekelOil's revenues.

DekelOil has a second 100% owned palm oil project in Côte d'Ivoire at Guitry. The plan is to develop Guitry into a 'seed to oil' operation similar to Ayenouan, including a computerised nursery with a capacity of 1 million plants per year (6,000ha of oil palm estates equivalent) and a state-of-the-art mill producing CPO from FFB grown by both the Company and local smallholders on brownfield land. Rights to develop oil palm estates over approximately 24,000ha of brownfield land have been secured. Guitry should be viewed as a long-term project and current work is being progressed conservatively while discussions with potential project partners regarding funding the development of Guitry at the project level are being progressed.

Financial

During the year under review, total revenues from the processing of FFB were €20.9m (2017: €30.2m) which generated EBITDA loss of €0.2m (2017: €4.5m) and a net loss after tax of €3.3m (2017: €1.6m).

Revenue and Gross Margin

The fall in the overall results for the 2018 financial year is almost entirely attributable to the €5.2m decrease in gross margin. As previously mentioned, an unusually low peak harvest season in Côte d'Ivoire resulted in lower production and spurred intense competition for supplies, which led to premiums of more than 20% having to be paid in certain cases. These factors coupled with CPO prices reaching long term cyclical lows lie behind the Company's financial performance for the year. These key factors are summarised as follows compared to 2017:

- CPO production decrease of 14.6%
- CPO sales price decrease of 25.5%
- Contribution margin decrease due to higher FFB costs of 12.1%
- Planned increase in preventative maintenance following the initial four years of operations of €0.6m

Measures were taken to minimise the impact of the challenging trading conditions experienced during the year, including securing premium prices for CPO sales where possible and stepping up efforts to purchase external kernels.

In terms of the current assessment of the key drivers highlighted above, we are pleased to confirm our Q1 2019 update indicates CPO production has increased to more typical levels and as a result, pressure on FFB costs has to a material degree subsided. The level of improvement is of course tempered to a large degree by the continued weak international CPO price environment in which we operate.

General and Administration

We continue to monitor our overheads closely and we implemented several small cost saving initiatives which resulted in a 12% decrease in general administration expenses. A number of these initiatives were implemented during the second half of 2018 and we are hopeful that 2019 will see a further reduction in our general and administrative expenses as we see the full year benefit. In addition, 2018 included a one-time write off of

€151,000 incurred in 2016 and 2017 in relation to the potential acquisition of Norpalm AS. We have ceased our interest in Norpalm AS. and are now focusing on opportunities in Côte d'Ivoire, including cashews.

Balance Sheet

The net loss resulted in net assets decreasing to €11.6m (2017: €14.7m) and net debt increased by €1.0m to €17.7m (2017: €16.7m). Net current liabilities also increased by €2.1m to €5.6m (2017: €3.7m) principally due to advanced payments from customers increasing by €1.9m. It is the Company's intention to refinance a large portion of the current and long term debt into a longer tenure facility during the course of 2019 in order to strengthen the balance sheet. The Company is in advanced stages of discussions with a long term debt provider and we look forward to updating shareholders as appropriate, in due course.

Outlook

Unseasonal harvests and price volatility go hand in hand with being an agriculture company. Both have moved against us and our peers in Côte d'Ivoire in 2018. Yields and prices can of course move in such a way that favours our operations and our interests. As and when an upturn in trading conditions occurs, we are well positioned to capitalise. In recent years, we have increased processing capacity and storage facilities at Ayenouan and have rolled out a comprehensive network of collection hubs to facilitate delivery of smallholder fruit to the mill. We are therefore confident that when conditions allow, Ayenouan will become considerably more profitable again. As reported post period end and in line with expectations, fruit yields across the region returned to more normal levels in Q1 2019, while early indications are that global palm oil prices appear to have at the very least reached their cyclical lows.

We are not however, passively waiting for conditions to improve. Thanks to the acquisition of an initial interest in the Tiebissou cashew processing project, and once the 12 month construction phase has been completed, DekelOil will be transformed into a multi-commodity producer. As well as diversifying our revenues, Tiebissou has the potential to become a much larger revenue generator than Ayenouan. Together these two projects will provide a highly cash generative platform with which to grow the business further, and in the process enable us to build DekelOil into a leading West African focused agriculture company.

Finally, I would like to take this opportunity to thank the Board, management and operations teams as well as our advisers for their hard work and continued support. I look forward to continuing working with them closely, as we focus on building value for the benefit of all our stakeholders including shareholders and the local communities in which we operate.

Andrew Tillery
Non-Executive Chairman Date: 26 June 2019

COMPANY INFORMATION

Directors	Andrew James Tillery, Non-Executive Chairman Youval Rasin, Chief Executive Officer Yehoshua Shai Kol, Chief Financial Officer Lincoln John Moore, Executive Director Bernard Francois, Non-Executive Director (appointed 5 April 2019) Orli Arav (ceased 5 April 2019)
Secretary	Absolute Trust Nominees Ltd
Registered Office	38 Agias Fylaxeos, Nicolas Court First Floor, Office 101 P.C. 3025
Company Registration Number	HE 210981
Country of Incorporation	Cyprus

INFORMATION ON THE BOARD OF DIRECTORS

Andrew Tillery, Non-Executive Chairman

Mr Tillery is an experienced project manager and investment executive with over 25 years' operational management and private equity experience in Africa and other emerging markets. This includes eight years (1996-2003) as a CEO in Côte d'Ivoire, West Africa where he had responsibility for managing a group of oil palm operations and also founding a natural rubber business. Mr Tillery has an MA and MSc from Oxford University, an MBA from the University of Chicago and worked with CDC Group Plc (the UK Government development finance institution) from 1989 until 2004. Following this he spent several years in emerging markets investment management, including four years as a Senior Investment Manager with Norfund, the Norwegian Investment Fund for Developing Countries. He is currently on the board of three African agribusiness and adviser to several agribusiness investment funds in sub-Saharan Africa.

Youval Rasin, Chief Executive Officer

Mr Rasin is the co-founder of DekelOil and has held senior management positions in various companies within the Rina Group, a family holding company with diverse interests including agriculture, mining and hotels in Africa and Europe. By profession, Mr Rasin is a qualified lawyer and has been active in Côte d'Ivoire since 2002, with 7 years' experience in agro-industrial projects including 10 years in the palm oil industry with DekelOil.

Yehoshua Shai Kol, Deputy CEO and Chief Financial Officer

Mr Kol is the co-founder of DekelOil. By profession, Mr Kol is a Chartered Accountant, and has an MBA from Tel Aviv University. Mr Kol worked for 13 years in finance, with significant business & international exposure. Mr Kol is a former employee of KPMG Corporate Finance and Professional Practice. He was also the Financial Director for Europe, Middle East and Africa for an international software company, Director of Finance and Business Development for Yellow Pages Ltd in Israel, during which time he led fund raising and Mergers & Acquisitions activities.

Lincoln John Moore, Executive Director

For the past 10 years Mr Moore has been actively involved in establishing and developing oil palm projects in Liberia, Sierra Leone and Côte d'Ivoire. Mr Moore was the former Chief Financial Officer of Sierra Leone Agriculture Ltd until September 2011 and a co-founder and former director of Ragnar Capital Ltd, where he played a key role in raising over $US50m for oil palm projects in West Africa. Mr Moore is a Chartered Accountant and former senior manager in the restructuring division of Deloitte.

Bernard Francois, Non-Executive Director

Over the course of a career spanning 33 years, Mr Francois has held a number of senior executive roles in agricultural businesses across Africa, Asia, and South America with several different commodities including palm oil, rubber, coffee, and cocoa. Between 2010 and 2015, he was CEO of the largest palm oil company in Côte d'Ivoire, PALMCI S.A, which is part of the publicly listed SIFCA Group. As CEO, Mr Francois oversaw the management of approximately 40,000 ha. of industrial plantations, a further 130,000 ha. of smallholder plantations, as well as the production of 300,000 tons of Crude Palm Oil and Palm Kernel Oil per year from 10 palm oil mills and two palm kernel mills.

PROFESSIONAL ADVISERS

Nominated Adviser and Lead Broker	Cantor Fitzgerald Europe 1 Churchill Place London E14 5RB United Kingdom
Joint Brokers	Optiva Securities Limited 2 Mill Street Mayfair London W1S 2AT United Kingdom
	VSA Capital Limited New Liverpool House 15-17 Eldon Street London EC2M 7LD United Kingdom
Auditor	Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global) 3 Aminadav St. Tel-Aviv 67067 Israel
Solicitors	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London EC2A 2EW United Kingdom
Depositary	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS99 6ZZ United Kingdom
Registrars	Cymain Registrars Ltd 26 Vyronos Avenue 1096 Nicosia Cyprus

DIRECTORS REPORT

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2018.

Principal Activities

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

DekelOil Public Ltd. also holds a 37.8% interest in Pearlside Holdings Ltd who through its 100% owned subsidiary Capro CI. is currently developing a cashew processing operation in the Republic of Cote d'Ivoire.

Group Results

The Group results are set out from page [] and are stated in thousands Euros. The Group made operating net loss after tax of €3.3 million (2017 - €1.6 million). The Directors do not recommend the payment of a dividend (2017 - nil).

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 2018:

Key Performance Indicator	**Budget**	**Actual**
FFB Received	180,000 tn	146,036 tn
CPO Extraction Rate	23%	22.6%
CPO Produced	41,400 tn	33,077 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 19 to the Financial Statements.

Directors Remuneration

Details of Directors' Remuneration are set out in the table below:

	Salaries and Fees	Benefits	Bonuses	Total
Executive Directors	€'000	€'000	€'000	€'000
Youval Rasin				
-2018	224	28	-	**252**
-2017	229	28	27	**284**
Shai Kol				
-2018	164	27	-	**191**
-2017	169	27	27	**223**
Lincoln Moore				
-2018	103	-	-	**103**
-2017	103	-	18	**121**
Non Executive Directors				
Andrew Tillery				
-2018	27	-	-	**27**
-2017	27	-	-	**27**
Bernard Francois*			-	
-2018	20	-	-	**20**
-2017	-	-	-	**-**
*** Commenced on 5 April 2018**				

Directors Shares and Options

Details of Directors are set out on page 9. Details of Directors' interests as at 26 June 2019 in share options and warrants are set out in the table below:

	Number of Ordinary Shares	Number of Vested Options	Number of Unvested Options
Andrew Tillery	-	1,800,000	-
Youval Rasin	64,875,115	2,600,000	1,200,000
Yehoshua Shai Kol	27,581,861	2,600,000	1,200,000
Lincoln John Moore	4,675,204	2,600,000	1,200,000
Bernard Francois	-	-	-

Substantial Shareholding

As at 26 June 2019, the Company had been notified of the following substantial shareholdings in the ordinary share capital:

Directors		
Youval Rasin	64,875,115	18.36%
Yehoshua Shai Kol	27,581,861	7.81%
Lincoln Moore	4,675,204	1.32%
Over 3%		
Miton Group plc	48,730,962	13.79%
Biopalm Energy Limited	35,455,111	10.03%
Yossi Inbar	15,825,548	4.48%
Aristide Achy Brou	12,975,000	3.67%

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: 26 June 2019

CHAIRMAN’S STATEMENT ON CORPORATE GOVERNANCE

Introduction

The Board of directors of the Company recognises the importance of sound corporate governance and applies The Quoted Companies Alliance Corporate Governance Code (2018) (the ‘QCA Code’), which they believe is the most appropriate recognised governance code for a company with shares admitted to trading on the AIM market of the London Stock Exchange. The QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business. Full details can be found on the company’s website: www.dekeloil.com.

We have outlined below a short explanation of how the Company applies each of the principles at the time of preparation of this report. Given this is a newly introduced policy the Company will continually reassess and strengthen its polices and associated execution of the aforementioned policies.

Principle One

Establish a strategy and business model which promote long-term value for shareholders

DekelOil is a large-scale palm oil producer that works in close partnership with the communities and authorities in its areas of operation. The establishment of such partnerships enables DekelOil to pursue its strategy of building sustainable, inclusive and environmentally sensitive palm oil production centres in the Ivory Coast and, in time, across West Africa. Full details are provided on the Company’s website.

At the core of our immediate strategy is working to increase our market share of the quantity of FFB from our small holder suppliers and increase the market size of FFB from small holders in our region. To increase market share we apply best practise supplier payment systems and assist our small holders with logistics. This is evident in the four logistic centres we have established to provide ease the transportation burden on small holders delivering FFB to our Mill. As outlined in our Chairman’s Report we are also working to implement a sustainable fertiliser programme with our small holder farmers.

We are also working hard to apply best in practise environmental processes in our existing operations. An example of this is our effluent treatment plant operation which we understand is the only fully compliant system operating in our country of operations. We are also a fully committed member of the Round Table for Sustainable Palm Oil and are working towards full certification.

The recent falls in CPO prices which whilst we believe will not continue into the medium term have highlighted a need to further diversify our operations. We are currently in the process of rectifying this and shortly before year end we announced our intention to apply our small holder business model to the cashew industry which will provide further diversity to our sales from 2020 onwards.

DekelOil will continue to assess opportunities to diversify its commodity base and in time, the countries it operates to deliver long term sustainable and diversified revenue streams.

Principle Two
Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders in order to communicate DekelOil's strategy and progress and to understand the needs and expectations of shareholders. See the DekelOil website for further details.

Principle Three
Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group's operations in Côte d'Ivoire to date have created over 300 new jobs and it is expected the development of the Company (and its subsidiaries) moving forward will create at least an additional 300 new jobs. It is also expected to improve existing oil palm farm yields, enhance Ayenouan farmers' income, revitalise the Co-operatives and accelerate the development of social infrastructure in the local community.

DekelOil Côte d'Ivoire's activity affects the lives of more than 6,000 families directly and indirectly. DekelOil Côte d'Ivoire has completed an Environmental and Social Impact Assessment ("ESIA") which is in line with the International Finance Corporation ("IFC") requirements and Ivorian law. DekelOil Côte d'Ivoire is committed to adopt and operate in accordance with the recommendations provided by the ESIA.

The aim of the ESIA report was to satisfy both legal and institutional obligations under the Ivorian environmental protection laws (Arrêté no 00972 du 14 Novembre 2007 relatif á l' application du décret no 96 894 du 8 Novembre 1996), and also comply with the IFC standards on the environment.

DekelOil Côte d'Ivoire is a member of the Roundtable of Sustainable Palm Oil ("RSPO"). The RSPO was established in 2004 to promote the production and use of sustainable palm oil. The RSPO is an association created by organisations carrying out activities in and around the entire supply chain for palm oil to promote the growth and use of sustainable palm oil. The Directors are committed to compliance with its code of conduct where applicable and are working towards full RSPO certification.

Principle Four
Embed effective risk management, considering both opportunities and threats, throughout the organization

The Board is responsible for ensuring that procedures are in place and being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. A list of the key operational and business risks is outlined on the DekelOil website.

In terms of internal processes, the Company operates pursuant to internally created processes and procedures, ensures all key strategy decisions are reviewed and approved by the Board an operates board committees for both the Audit Committee and Remuneration Committee.

Principle Five
Maintain the Board as a well-functioning, balanced team led by the Chair

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years. To date in the current financial year the Directors have a 100% record of attendance at meetings. Directors meet formally and informally both in person and by telephone. The Board is responsible to the shareholders for the proper management of the Group. The Boards undertakes the following meeting process:

- meets at least twice per year - full attendance was observed
- weekly board phone calls to review performance and set the overall direction and strategy of the Group

Post year end the Company is currently incorporating a monthly meeting process to replace the weekly meeting process.

Andrew Tillery and Bernard Francois are considered to be Independent Directors (applying the principles on independence set out in Section B.1.1. of the UK Corporate Governance Code published by the Financial Reporting Council).

Principle Six
Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

Our multi-disciplinary management team of executives, entrepreneurs and agronomists can call upon more than 30 years of experience in the international agro-industry. Team members have driven the planning, implementation and management of large-scale agricultural and agri-industrial projects across several continents. The Board considers that all of the Directors and Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in scientific, operational and financial development of food products and companies. The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Company. The Board ensures its knowledge is kept up to date on key issues and developments pertaining to the Company, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors receive updates from various external advisers on a number of industry and corporate governance matters.

Audit and Remuneration Committees have been established and in each case comprise Andrew Tillery, Lincoln Moore and Bernard Francois. The audit and remuneration committees comprise a majority of non executives and that they are chaired by non executives.

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.

The Director biographies and details are set out earlier in this report and further information for director is summarised in the table below.

Name	Role	Time	Dekeloil Shareholder
Andrew Tillery	Non Executive Chairman	2 days per month	No
Youval Rasin	Chief Executive Office	Full time	Yes
Yehohua Shai Kol	Deputy CEO and Chief Financial Officer	Full time	Yes
Lincoln Moore	Executive Director	Full time	Yes
Bernard Francois	Non Executive Director	2 days per month	No

Principle Seven
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Internal evaluation of the Board, the Committees and individual Directors is undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance against targets and objectives, as well as the Directors' continued independence. As a part of the appraisal the appropriateness and opportunity for continuing professional development whether formal or informal is discussed and assessed.

The Board may ultilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning. Succession planning is formally considered by the Board on an annual basis in conjunction with the appraisal process.

Principle Eight
Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole which in turn will impact Company's performance. The Directors are very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that consultants or other representatives behave.

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The Executive Committee regularly monitors the Group's cultural environment and seeks to address any concerns than may arise, escalating these to Board level as necessary.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group's health and safety policies and procedures encompass all aspects of the Group's day-to-day operations.

Issues of bribery and corruption are taken seriously. The Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business and training is provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. Each employment contract specifies that the employee will comply with the policies.

There were no issues to note during the 2018 financial year.

Principle Nine
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Non-Executive Directors arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved for the Board. The Chairman is responsible for the effectiveness of the Board as well as primary contact with shareholders.

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-executive Directors are responsible for bringing independent and objective judgment to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nominations and Corporate Governance Committee. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Board has established an Audit Committee and Remuneration Committee with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee comprises three Directors, Andrew Tillery, Lincoln Moore and Francois Bernard, and is chaired by Andrew Tillery. The Audit Committee will meet at the time of preparation of the annual and interim accounts of the Company at such other times as the chairman of the Audit Committee shall deem necessary. The Audit Committee receives and reviews reports from management of the Company's auditors relating to the interim and annual accounts and keeps under review the accounting and internal controls which the Company has in place.

Remuneration Committee

The Remuneration Committee comprises three Directors, Andrew Tillery, Lincoln Moore and Francois Bernard, and is chaired by Andrew Tillery. The Remuneration Committee will meet at such times as the chairman of the Remuneration Committee or the Board deem necessary. The Remuneration Committee will determine and review (in consultation with the Board) the terms and conditions of service of the executive directors and non-executive directors. The Remuneration Committee will also review the terms and conditions of any proposed share incentive plans, to be approved by the Board and the Company's shareholders.

In setting remuneration packages, the Committee ensured that individual compensation levels, and total board compensation, were comparable with those of other AIM-listed companies where appropriate.

Further details are set out in the Director's Report and notes to the accounts.

Principle Ten
Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. Full details of how the Company maintains a dialogue with shareholders and other stakeholders is set out on the Company's website.

Andrew Tillery
Non-Executive Chairman Date: 26 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements under IFRS. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Building a better working world

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

DEKELOIL PUBLIC LTD.

We have audited the accompanying consolidated financial statements of DekelOil Public Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of 31 December 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the years then ended, and the related notes to the consolidated financial statements, which, as described in Note 2 to the consolidated financial statements, have been prepared on the basis of International Financial Reporting Standards as adopted by the European Union.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018 and 2017, and the results of its operations and its cash flows for the each of the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
26 June, 2019

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December	
		2018	**2017**
	Note	**Euros in thousands**	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		262	775
Inventory		1,543	1,369
Accounts and other receivables	5	420	317
Total current assets		2,225	2,461
NON-CURRENT ASSETS:			
Property and equipment, net	6	31,172	31,449
Total non-current assets		31,172	31,449
Total assets		33,397	33,910

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 December 2018	31 December 2017
		Euros in thousands	
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Short-term loans and current maturities of long-term loans	9	4,251	4,450
Trade payables		665	193
Advance payments from customers		2,471	573
Other accounts payable and accrued expenses	7	596	929
Total current liabilities		7,983	6,145
NON-CURRENT LIABILITIES:			
Long-term financial lease	8	94	46
Accrued severance pay, net		32	36
Long-term loans	9	13,712	13,017
Total non-current liabilities		13,838	13,099
Total liabilities		21,821	19,244
EQUITY	10		
Share capital		99	99
Additional paid-in capital		29,862	29,669
Accumulated deficit		(13,163)	(9,880)
Capital reserve		2,532	2,532
Capital reserve from transactions with non-controlling interests		(7,754)	(7,754)
Total equity		11,576	14,666
Total liabilities and equity		33,397	33,910

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

26 June, 2019			
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

	Note	Year ended 31 December 2018	2017
		Euros in thousands (except share and per share amounts)	
Revenues	11	20,885	30,227
Cost of revenues	14a	19,152	23,314
Gross profit		1,733	6,913
General and administrative	14b	3,235	3,591
Operating profit (loss)		(1,502)	3,322
Finance cost	14c	1,738	1,663
Income (loss) before taxes on income		(3,240)	1,659
Taxes on income	13	43	104
Net income (loss) and total comprehensive income (loss)		(3,283)	1,555
Net income (loss) per share			
Basic and diluted income (loss) per share		(0.01)	0.01
Weighted average number of shares used in computing basic and diluted income (loss) per share		299,119,461	296,153,368

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital	Additional paid-in capital	Accumulated deficit	Capital reserve	Capital reserve from transactions with non-controlling interests	Total
	Euros in thousands					
Balance as of 1 January 2017	95	27,145	(10,891)	2,532	(7,754)	11,127
Net income and total comprehensive income	-	-	1,555	-	-	1,555
Conversion of liability to equity (Note 9)	4	1,976	-	-	-	1,980
Issuance of shares (Note 10)	*)	36	-	-	-	36
Exercise of warrants	*)	121	-	-	-	121
Dividend distribution	*)	150	(544)	-	-	(394)
Share-based compensation	-	241	-	-	-	241
Balance as of 31 December 2017	99	29,669	(9,880)	2,532	(7,754)	14,666
Net loss and total comprehensive loss	-	-	(3,283)	-	-	(3,283)
Issuance of shares (Note 10)	*)	33	-	-	-	33
Exercise of options (Note 10)	*)	-	-	-	-	*)
Share-based compensation	-	160	-	-	-	160
Balance as of 31 December 2018	99	29,862	(13,163)	2,532	(7,754)	11,576

*) Represents an amount lower than €1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2018	**2017**
	Euros in thousands	
Cash flows from operating activities:		
Net income (loss)	(3,283)	1,555
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Adjustments to the profit or loss items:		
Depreciation	1,318	1,136
Share-based compensation	160	241
Accrued interest on long-term loans and non-current liabilities	1,265	1,301
Change in employee benefit liabilities, net	(5)	(25)
Changes in asset and liability items:		
Increase in inventories	(174)	(240)
Decrease (increase) in accounts and other receivables	(103)	295
Increase (decrease) in trade payables	506	(309)
Increase (decrease) in advance from customers	1,898	(692)
Increase (decrease) in accrued expenses and other accounts payable	(333)	405
	4,532	2,112
Cash paid during the year for:		
Taxes	-	(29)
Interest	(1,286)	(1,330)
	(1,286)	(1,359)
Net cash provided by (used in) operating activities	(37)	2,308

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2018	2017
	Euros in thousands	
Cash flows from investing activities:		
Purchase of property and equipment	(1,041)	(2,250)
Net cash used in investing activities	(1,041)	(2,250)
Cash flows from financing activities:		
Exercise of warrants	-	121
Dividend distribution in cash	-	(394)
Long-term lease, net	48	(16)
Receipt of short-term loans	662	1,524
Receipt of long-term loans	4,976	254
Repayment of long-term loans	(5,121)	(2,750)
Net cash provided by (used in) financing activities	565	(1,261)
Decrease in cash and cash equivalents	(513)	(1,203)
Cash and cash equivalents at beginning of year	775	1,978
Cash and cash equivalents at end of year	262	775
Supplemental disclosure of non-cash activities:		
Conversion of capital note to equity	-	1,980

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

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

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

d. As of 31 December 2018, the Company has a deficiency in working capital of approximately € 5.8 million. Since commencement of production and sale of palm oil in 2014, the Company has generated positive cash flows from its operations until 2017. In 2018 due to unusually low fruit yields across Cote d'Ivoire and a decrease in the market price of palm oil, the Company's cash flows generated from operations were nil. As fruit yields so far in 2019 have recovered to more normal levels and efficiency measures implemented to date have reduced costs of production, Company management expects the cash flows to revert back to the positive levels achieved in prior years and growing further 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 production levels 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. The significant decrease in EBITDA resulted in a covenant breach as at 31 December 2018 of the loan from NSIA amounting to €6.6m. That breach was waived by NSIA in December 2018.

   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 of the financial statements.

e. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("the new Standard"), which replaces IAS 39, "Financial Instruments:

Recognition and Measurement". The new Standard mainly focuses on the classification and measurement of financial assets and it applies to all assets within the scope of IAS 39.

The new Standard has been applied for the first time in these financial statements retrospectively without restatement of comparative data.

The effect of the initial adoption of the new Standard on the Company's financial statements was immaterial.

The accounting policy for financial instruments applied until 31 December 2017, is as follows:

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.

b) Financial liabilities:
A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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

1. Financial assets:

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

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

- The Company's business model for managing financial assets; and

- The contractual cash flow terms of the financial asset.

a) Debt instruments are measured at amortized cost when:

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

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss. The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

3. Financial liabilities:

a) Financial liabilities measured at amortized cost:

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

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

4. Derecognition of financial instruments:

a) Financial assets:

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

b) Financial liabilities:

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

f. Borrowing costs:

The Group capitalizes borrowing costs that are attributable to the acquisition, construction,

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The period of biological transformation of FFB from blossom to harvest and then conversion to inventory and sale is relatively short (about 2 months). Accordingly, any changes in fair value at each reporting date are generally immaterial.

i. Property and equipment:

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

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

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

j. Impairment of non-financial assets:

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

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

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of

depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

k. Revenue recognition:

The IASB issued IFRS 15, "Revenue from Contracts with Customers" ("the new Standard") in May 2014. The new Standard replaces IAS 18, "Revenue", and certain other standards. The new Standard has been applied for the first time in these consolidated financial statements. The Company elected to adopt the provisions of the new Standard using the modified retrospective approach and without restatement of comparative data.

The adoption of IFRS 15 as of 1 January 2018 did not have a material effect on the consolidated financial statements.

The accounting policy for revenue recognition applied until 31 December 2017, is as follows:

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.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

Contract balances:

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

l. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.
Cost of finished goods inventories is determined on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

m. Earnings (loss) per share:

Earnings (loss) per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Basic earnings (loss) per share only include shares that were actually outstanding during the period. Potential Ordinary shares are only included in the computation of diluted earnings (loss) per share when their conversion decreases earnings per share or increases loss per share from continuing operations.

Further, potential Ordinary shares that are converted during the period are included in

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 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.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

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 adoption of the new Standard is not expected to have a material impact on the consolidated 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 believes that the adoption of the Interpretation is not expected to have a material impact on the consolidated financial statements.

NOTE 5:- ACCOUNTS AND OTHER RECEIVABLES

	31 December	
	2018	**2017**

	Euros in thousands	
Government authorities (VAT)	3	3
Prepaid expenses and other receivables	339	293
Loans to employees	78	21
	420	317

NOTE 6:- PROPERTY AND EQUIPMENT, NET

Composition and movement:

	Computers and peripheral equipment	Equipment and furniture	Motor vehicles	Agriculture equipment	Extraction mill and land	Palm oil plantations	Total
	Euros in thousands						
Cost:							
Balance as of 1 January, 2017	294	89	1,134	460	23,689	7,087	32,753
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	329	100	1,259	460	25,307	7,453	34,908
Acquisitions during the year	9	9	270	-	696	90	1,073
Disposals during the year	-	-	(132)	-	-	-	(132)
Capitalized borrowing costs							
Balance as of 31 December, 2018	338	109	1,397	460	26,003	7,543	35,850
Accumulated depreciation:							
Balance as of 1 January 2017	118	49	403	352	1,235	271	2,428
Depreciation during the year	30	16	184	14	724	168	1,136
Disposals during the year	-	-	(105)	-	-	-	(105)
Balance as of 31 December 2017	148	65	482	366	1,959	439	3,459
Depreciation during the year	33	16	198	14	886	170	1,318
Disposals during the year	-	-	(98)				(98)
Balance as of 31 December 2018	181	81	582	380	2,845	609	4,679
Depreciated cost as of 31 December 2018	157	28	815	80	23,158	6,934	31,172
Depreciated cost as of 31 December 2017	180	35	778	94	23,348	7,014	31,449

NOTE 7:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	31 December 2018	31 December 2017
	Euros in thousands	
Employees and payroll accruals	198	169
VAT payable	228	617
Other accounts payable	170	143
	596	929

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.

In January 2018 a subsidiary of the Company signed a lease agreement for a vehicle. The lease is for 5 years and the payment is €1,080 per month.

NOTE 9:- LOANS

a. Long-term loans:

	Currency	Interest rate as of 31 December 2018	31 December 2018	31 December 2017
			Euros in thousands	
SGBCI (c.1)	In FCFA	7%	110	254
BGFI (c. 5)	In FCFA	10%	-	497
NSIA (c.2 and c.3)	In FCFA	7.1%,8.4%	6,558	7,995
SOGEBOURSE (c.4)	In FCFA	6.9%	10,023	7,188
SIB (c.5)	In FCFA	8.2%	602	-
Total loans			17,293	15,934
Less - current maturities			(3,581)	(2,917)
			13,712	13,017

b. Short-term loans and current maturities:

	Interest rate	31 December 2018	31 December 2017
		Euros in thousands	
Short-term loan from bank	7.25%	670	1,533
Current maturities - per a. above		3,581	2,917
		4,251	4,450

NOTE 9:- LOANS (Cont.)

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 drew down 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 bears 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 is repayable over 7 years in equal monthly payments and bears annual interest at the basic bank rate minus 3.7% which is currently equal to 7.1%. According to the agreement, the financial covenants that DekelOil CI SA should maintain are (1) net debt to EBITDA lower or equal to five, and (2) Debt service cover ratio greater than 1.2. The significant decrease in EBITDA resulted in a covenant breach as at 31 December 2018 which was waived by NSIA in December 2018.

On 22 March 2016 NSIA transfered the funds and the EBID loan was repaid in full.

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

On 1 February 2018 the DekelOil CI SA drew down a second tranche of FCFA 2.8 billion (€4.34 million) from its FCFA 10 billion (€15.2 million) long-term Syndicated Loan Facility with Sogebourse CI. On the same terms as the first tranche. Part of the funds were used to repay a short-term loan in the amount of €1,524 thousand and a long-term loan in the amount of €497 thousand (see also section 5 below)

NOTE 9:- LOANS (Cont.)

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 and bears interest at a rate of 10% per annum.

   In February 2018 this loan was fully repaid (see also section 4 above)

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

NOTE 10:- EQUITY

a. Composition of share capital:

	31 December		31 December	
	2018	**2017**	**2018**	**2017**
	Authorized		**Issued and outstanding**	
	Number of shares			
Ordinary shares of € 0.0003367 par value each	400,000,000	400,000,000	299,660,810	298,381,700

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

On 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

NOTE 10:- EQUITY (Cont.)

recorded in general and administrative expenses.

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

In 2018 the Company issued 879,110 ordinary shares to certain brokers in consideration for services provided. The fair value of the shares issued amounting to € 33 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 1,200,000 options to purchase Ordinary shares of the Company at a nominal exercise price. The options vest linearly over three years. The fair value of the options at the date of grant was calculated based on the share price at that date and was approximately €151 thousand.

A summary of the activity in options for the years 2018 and 2017 is as follows:

NOTE 10:- EQUITY (Cont.)

	Year ended 31 December			
	2018		2017	
	Number of options	Weighted average exercise price-Euro	Number of options	Weighted average exercise price-Euro
Outstanding at beginning of year	21,850,000	0.1705	9,900,000	0.2122
Exercised	(400,000)	-	-	-
Granted	-	-	11,950,000	0.1359
Expired or forfeited	(2,727,686)	0.1752	-	-
Outstanding at end of year	18,722,314	0.1734	21,850,000	0.1705
Exercisable options	12,717,314	0.1887	10,822,107	0.1949

c. Capital reserve

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

NOTE 11:- REVENUES

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

b. Major customers:

	Year ended 31 December	
	2018	2017
	Euros in thousands	
Revenues from major customers which each account for 10% or more of total revenues reported in the financial statements:		
Customer A -	13,817	20,126
Customer B -	3,938	3,901

NOTE 12:- FAIR VALUE MEASUREMENT

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

NOTE 13:- INCOME TAXES

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

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

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

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

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

b. Tax assessments:

The Company's subsidiary, DekelOil CI SA, received a final tax assessment through 2017. As of 31 December 2018, the Company and all its other subsidiaries had not yet received final tax assessments

c. The tax expenses during the year ended 31 December, 2018 wholly relate to tax of the Company's subsidiary, DekelOil CI SA.

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

	Year ended 31 December	
	2018	2017
	Euros in thousands	
a. Cost of revenues:		
Cost of fruits	13,769	18,478
Salaries and related benefits	1,520	1,354
Cultivation & Nursery costs	414	751
Vehicles	433	577
Maintenance and other operating costs	1,895	1,264
Depreciation	1,121	890
	19,152	23,314
b. General and administrative expenses:		
Salaries and related benefits	1,625	1,628
Subcontractors	42	153
Rents & related and office expenses	250	247
Travel expenses	122	154
Legal & accounting and professional fees	222	298
Vehicle maintenance	110	125
Insurance	73	165
Brokerage & nominated advisor fees	81	83
Depreciation	186	246
Share-based compensation	160	241
Other	364	251
	3,235	3,591
c. Finance cost:		
Interest on loans	1,410	1,323
Bank loans and fees	268	278
Exchange rate differences	60	62
	1,738	1,663
Net of amounts capitalized	-	48

NOTE 15:- INCOME (LOSS) PER SHARE

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

	Year ended 31 December	
	2018	2017
	Euros in thousands	
Net income(loss)	(3,283)	1,555
Weighted average number of Ordinary shares for computing basic and diluted earnings (loss) per share	299,119,461	296,153,368

In 2018, share options are excluded from the calculation of diluted earnings per share as their effect is antidilutive. In 2017, the inclusion of share options in the calculation of diluted earnings per share had no effect on basic earnings per share.

NOTE 16:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

		Year ended 31 December	
		2018	2017
		Euros in thousands	
a.1	Balances:		
	Other accounts payable and accrued expenses	32	10
a.2	Transactions:(1)		
	Services and expense reimbursements	289	534
b.	Compensation of key management personnel of the Company:		
	Short-term employee benefits	539	579
	Share-based compensation	74	189

1) See also Note 18 - subsequent events

NOTE 16:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

c. Significant agreements with related parties:

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

   Under the employment agreement, the CEO is entitled to a monthly salary of € 20,000 per month (included in b) and management fee of € 5,000 per month (included in a.2). The agreement is terminable by the Company with 24 months' notice. The total annual salary, social benefits, bonuses and management fee paid to the CEO during 2017 and 2018 was approximately €284 thousand and € 252 thousand, respectively.

2. In March 2008, DekelOil Consulting Limited signed an employment agreement with a shareholder, who is a director of the Company, its Deputy CEO and Chief Financial Officer. The agreement was amended on 11 July 2014 by the board of the subsidiary to reflect the same terms as the CEO described in c (1) above. The total annual salary and social benefits paid to the employee during 2017 and 2018 was approximately €223 thousand and € 191 thousand, respectively.

3. In March 2014 a subsidiary of the Company entered into an agreement with a related party for renting tractors for its mill and logistic centers operation. During 2017 and 2018 the subsidiary paid to the related company for these services approximately €381 thousand and €179 thousand.

NOTE 17:- FINANCIAL INSTRUMENTS

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

	31 December	
	2018	**2017**
	Euros in thousands	
Financial liabilities measured at amortized cost:		
Trade and other payables	1,261	1,122
Short-term loans	670	1,533
Long-term capital lease	94	46
Long-term loans (including current maturities)	17,293	15,975
Total	19,818	18,676

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

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 2018, 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 2018

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

31 December 2017

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	Euros in thousands						
Long-term loans (1)	2,936	4,157	3,785	3,284	3,093	2,580	19,835
Short-term loan	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
	5,609	4,175	3,798	3,289	3,098	2,920	22,889

(1) Including current maturities.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

Movement in financial liabilities:

	Short term loans	Long term loans (1)	Financial lease	Capital note	Total
Balance as of 1 January 2017	-	18,457	62	1,979	20,498
Conversion of capital note to equity	-	-	-	(1,979)	(1,979)
Receipt of short term loans	1,533	-	-	-	1,533
Repayment of long-term lease	-	-	(16)	-	(16)
Receipt of long-term loans	-	216	-	-	216
Repayment of long-term loans	-	(2,739)	-	-	(2,739)
Balance as of 1 January 2018	1,533	15,934	46	-	17,513
Receipt of short-term loan	669	-	-		669
Receipt of long-term lease	-	-	72	-	72
Repayment of long-term lease	-	-	(24)	-	(24)
Repayment of loans	(1,533)	(3,617)	-	-	(5,150)
Receipt of long-term loans	-	4,976	- -	-	4,976
Balance as of 31 December 2018	669	17,293	94	-	18,056

1) Including current maturities.

NOTE 18:- SUBSEQUENT EVENTS

On 20 December 2018 the Company entered into an agreement to purchase a 43.8% interest in Pearlside Holding Ltd ("Pearlside") by way of issuing 52,612,613 Ordinary shares of the Company. Pearlside, through its wholly-owned subsidiary, is in the initial stages of development and construction of a raw cashew nut processing plant in Cote d'Ivoire. The closing of this purchase transaction occurred on 7 January 2019. Based on the market price of the Company's shares on the date of the purchase, the cost of the investment in Pearlside amounted to approximately €1.8 million.

Of the total Ordinary shares issued, 36,156,157 Ordinary shares were issued to related parties of the Company.

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

The exercise price will be calculated by reference to the higher of (i) 4.5times EBITDA of Pearlside in its last published audited annual accounts prior to exercise of the option and (ii) the valuation of € 18 million for the entire issued share capital of Pearlside.

If Pearlside has not achieved an EBITDA of € 4 million for the year 2020, DekelOil may acquire

NOTE 18:- SUBSEQUENT EVENTS (Cont.)

the shares of Pearlside under option based on an € 18 million valuation of Pearlside, at any time until the 2021 annual accounts are published at which point the valuation will be reset at the higher of 4.5 times EBITDA or € 18 million for 100% of Pearlside's equity. If the exercise price is determined by reference to the EBITDA of Pearlside, and the EBITDA is € 7 million or more, the EBITDA applied will be capped at € 7 million.

On 25 May 2019 Pearlside signed an equity investment agreement with an investor pursuant to which the subscriber invested €1 million in consideration for shares representing approximately a 15% ownership interest in Pearlside. At the same time, the Company elected to receive repayment of a €320 thousand short-term bridge loan provided to Pearlside in 2019 by receiving €238 thousand in cash and converting €82 thousand into new shares of Pearlside. Following these equity issuances, the Company has a 37.8% ownership interest in Pearlside and an option to purchase an additional 17% of Pearlside.

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