



**DEKELOIL PUBLIC LTD**  
(Company Registration Number HE 210981)

**REPORT AND FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2013**

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## CHAIRMAN'S STATEMENT

DekelOil started the year under review as a private West African focused palm oil business with a state of the art nursery, long term supply contracts with 5,000 local smallholders covering 27,000 hectares of mature plantations, and almost 2,000 hectares of company-owned planted estates in the Côte d'Ivoire. DekelOil ended the year as an AIM quoted vertically integrated 'seed to oil' business with a 51% interest in one of West Africa's largest and most modern crude palm oil ("CPO") extraction mills. Since the year end, further progress has been made so that within just twelve months of our Admission to AIM in March 2013, we have delivered on our near term objective to transform DekelOil into a fully operational palm oil company in time for the 2014 peak harvesting period in the Côte d'Ivoire.

A large part of our operational focus during the year was centered around the construction of our 60t/hr CPO extraction mill (the "Mill") in the Côte d'Ivoire which, as with our fully computerized and irrigated nursery with a 1 million seedlings per annum capacity, is state of the art. The Mill which was constructed on our 14 hectare site at Ayenouan by Modipalm Engineering SDN BHD, a leading Malaysian engineering company. Final plant takeover is underway at present. It has a reception area twice the size of those found at most other 70,000 tpa mills, ensuring an efficient delivery of fresh fruit bunches ("FFB") to the Mill. Furthermore in line with our commitment for DekelOil to be a sustainable West African palm oil producer, an Effluent Treatment Plant ("ETP") which will deal with all liquid waste from the plant will be fully operational in 2014, providing an environmentally friendly waste water solution at the Mill. The ETP, which we understand will be the first built in the Côte d'Ivoire, will be able to turn waste water into water suitable for irrigation and will also provide scope for generation of Biogas which at a later stage may be converted to electricity generation.

While initial operations have commenced in-line with the Board's expectations, the potential of the Mill will only be fully realized once it has sufficient quantities of delivered FFB to move it to its nameplate capacity of 60tph. Our initial business model at this first site has been focused on delivering a processing mill to provide a buyer for the strong local FFB production which, until the Mill was built, was under-utilized. Accordingly, prior to our Admission to AIM, long term agreements were signed with 5,000 smallholders covering 27,000 hectares of mature plantations to supply FFB to DekelOil's Mill at Ayenouan. With feedstock secured, during the year we sought to put in place a logistics network to collect and transport the FFB to the Mill for processing.

In terms of key milestones achieved, 2014 has seen us build even further on the progress made in 2013. Post period end, the Mill was completed in March 2014. This meant we successfully met the conditions regarding the Mill's tax exemption application and as a result confirmation has been received from the Government of the Côte d'Ivoire that profits will be fully exempt from corporation tax for a period of 13 years, greatly enhancing the already highly attractive economics of the Mill for shareholders.

The Mill became fully operational in March 2014. The CPO is being sold to three local palm oil refineries under offtake agreements. In return, DekelOil will receive the official AIPH price, which is similar to the CIF Rotterdam price, for the palm oil on the date of delivery of the CPO to the refinery. By selling the CPO locally, transportation, insurance and marketing costs are greatly reduced.

We believe this is a highly opportune time for DekelOil to become a revenue generative palm oil company focused on West Africa. In addition, the commencement of our operations is having a significantly positive impact in the region in which we operate. Small holders now have a guaranteed partner to sell their FFB production and can now fertilize their existing plantations and continue planting with the confidence there is milling capacity significantly greater than what they can currently produce. DekelOil now employs in excess of 300 staff and importantly most senior management positions are filled by highly trained and competent local staff which assists in demonstrating the integration and inclusion of the Company with local stakeholders. DekelOil continues to honor its Round Table for Sustainable Palm Oil ("RSPO") commitments as highlighted by the construction of the ETP and by focusing plantation development on previously cultivated land.

Together, with the cooperatives, small holders and local community, DekelOil is developing a sustainable long term business in partnership with the local region.

Finally, structural issues such as a lack of land availability in traditional growth areas in Malaysia and Indonesia are expected to see supply struggle to keep up with global demand for palm oil which is forecast to double by 2020. Increasingly, international palm oil majors are entering or expanding into West Africa as evidenced by KLK's recent majority acquisition of Equatorial Palm Oil plc. Natural barriers to entry can prevent majors from securing large packages of contiguous land suitable for planting and near term production, so entry by way of acquisition is largely preferred. Thanks to the progress we have made in the Côte d'Ivoire, DekelOil is at the forefront of the industry's renewed focus on West Africa, and with the successful development and operation of the Mill, and further development of its nursery and plantations is now a leading modern operator in a stable, well supported and agriculturally significant country.

## **Financial Review**

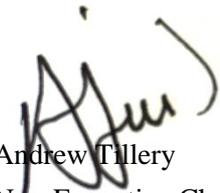
During the year DekelOil was a pre-production company. As a result, in 2013 the Group made an operating net loss of €1,473 thousands (2012 - loss of €341 thousands).

## **Outlook**

Having successfully constructed one of West Africa's largest CPO mills, we expect production to steadily increase as further supplies of FFB become available. Thanks to DekelOil's transparent pricing policy for aggregators and growers at both the input and output stages we expect to generate a visible earnings stream with stable margins. Not only does this provide strong asset backing to the business but internal cash flows from CPO production creates a virtuous circle of opportunity for expansion, whereby revenues will be reinvested into growing our Company-owned plantations which in turn will increase production and revenues further in time.

Over the medium term, we will look to develop a further 5,000 ha of Company plantations in close proximity to the Mill, bringing the total to 7,000 ha. Beyond our project in Ayenouan, we hold the rights to over 24,000 hectares of land in the Guitry region of Côte d'Ivoire which we intend to plant and where we will look to build a second CPO Mill to support our planted land over time. In tandem with our on-going evaluation of potential new projects, we are on course to build DekelOil into a leading West African focused palm oil business which already employs over 300 people in the country, provides a trusted FFB buyer for over 5,000 local smallholders, and is well placed to generate substantial value for our shareholders. Our business model and progress has increasingly been attracting institutions, such as the African fund Nubuke, to our register and we look forward to bolstering this further.

Finally, I would like to take this opportunity to thank our shareholders, team, and most importantly, our small holder farmers and cooperatives for their support during what has been a transformative period for DekelOil and I look forward to reporting on our progress as we look to build on the strong momentum behind the business.



Andrew Tillery  
Non-Executive Chairman

Date: 27 June 2014



## **INFORMATION ON THE BOARD OF DIRECTORS'**

### **Andrew Tillery, Non-Executive Chairman**

Mr. Tillery is an experienced project manager and investment analysis with over 20 years operational management and private equity experience in Africa and other emerging markets. This includes seven 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. He also recently joined Collabrium Capital, a London based investment bank, as a partner responsible for the management of several emerging market funds.

### **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. Mr. Rasin is interested in StarEnergy SA which has undertaken construction of a 381MW gas turbine. Furthermore, Mr. Rasin has interests in Marine Carrier SA, Starten Limited, Starten CI SA and Egoz Limited. He is also interested in StarAgro SA which is involved in the production of rubber and cacao plants. 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 5 years in the palm oil industry with DekelOil.

### **Yehoshua Shai Kol, 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 lead fund raising and Mergers & Acquisitions activities.

### **Lincoln John Moore, Executive Director**

For the past 5 years Mr. Moore has been actively involved in establishing and raising finance for oil palm projects in Liberia, Sierra Leone and Côte d'Ivoire. Mr. Moore was the former Chief Financial Officer of Sierra Leone Agriculture Ltd (now owned and operated by the Siva Group) 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. This included the Siva Investment into DekelOil of €8.3 million. Currently a non-executive director of Zarmadan Gold Limited and a former executive director of AIM listed Northcote Energy Limited. Mr. Moore is a Chartered Accountant and former senior manager in the restructuring division of Deloitte and Touche.

### **Richard Amon, Non-Executive Director**

Richard Amon is an Ivorian national, member of the Royal family of Abengorou, part of the Agny which is one of the largest ethnic group in Côte d'Ivoire. Mr. Amon was related to the first president of Ivory Coast, his excellence Félix Houphouët-Boigny. Mr. Amon is a former Notary and is a co-founder of DekelOil and in addition, is a director of various companies within the DekelOil group. Mr. Amon's key role is to assist with relations with the community, small holders, co-operatives, in addition to government relations. Mr. Amon was also closely involved in assisting with the development bank loan process to finance the Mill. Mr. Amon holds a law degree from Montpellier University, France.

## **PROFESSIONAL ADVISERS**

### **Nominated Adviser and Lead Broker**

Nplus1 Singer Advisory LLP  
One Bartholomew Lane  
London EC2N 2AX  
United Kingdom

### **Broker**

Optiva Securities Limited  
2 Mill Street  
Mayfair  
London W1S 2AT  
United Kingdom

### **Auditor**

Kost Forer Gabbay & Kasierer  
(a member of Ernst & Young Global)  
3 Aminadav St.  
Tel-Aviv 67067  
Israel

### **Bankers**

Bank Leumi (UK) plc  
20 Stratford Pl  
London W1C 1BG  
United Kingdom

### **Solicitors**

Kerman & Co LLP  
200 Strand  
London WC2R 1DJ  
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 2013.

### **Principal Activities**

DekelOil Public Ltd. is a Cyprus based holding company which indirectly owns 51% 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.

### **Group Results**

The Group results are set out on page 15 and are stated in thousands Euros. The Group made operating net loss of €1,473 thousands (2012 - loss of €341 thousands). The Directors do not recommend payment of a dividend (2012 - £Nil).

### **Review of the Business**

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

### **Key Performance Indicators**

Due to the current status of the Group as a pre development Company, the Board has not identified any performance indicators for this financial period.

### **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 25 to the Financial Statements.

### **Directors**

Details of Directors are set out on page 6. Details of Directors' interests as at 27 June 2014 in share options and warrants are set out in the table below:

	<i>Number of Ordinary Shares</i>	<i>Number of warrants</i>
<b>Andrew Tillery</b>	-	-
<b>Youval Rasin</b>	404,173,541	31,251,029
<b>Yehoshua Shai Kol</b>	132,906,738	-
<b>Lincoln John Moore</b>	13,675,000	-
<b>Richard Amon</b>	119,757,412	-

### **Substantial Shareholding**

As at 27 June 2014, the Company had been notified of the following substantial shareholdings in the ordinary share capital:

<b>Directors</b>	
Youval Rasin	28.86%
Shai Kol	9.49%
Richard Amon	8.55%
Over 3%	
Yossi Inbar	6.81%
Erez Tirosch	5.11%
Yardeni-Gelfand Trusts (2000) Ltd	5.63%
Nubuke Investments LLP	3.01%
Hanan Rasin	3.33%

### **Corporate Governance**

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

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 day's purchases represented by year end payables is therefore not meaningful.

## **Charitable Contributions**

During the year the Group made charitable donations amounting to £Nil (2012 - £Nil).

## **Directors' Indemnities**

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

By Order of the Board



Lincoln Moore, Executive Director

Date: 27 June 2014

## **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 judgments 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.



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ey.com

## **INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of**

**DEKELOIL PUBLIC LTD.**

We have audited the accompanying financial statements of DekelOil Public Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of 31 December 2013 and 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

### **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, and for such internal control as management determines is necessary to enable the preparation 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors consider 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and 2012, and its financial performance and cash flows for the years ended 31 December 2013 and 2012, in accordance with International Financial Reporting Standards as adopted by the European Union.

27 June 2014  
Tel-Aviv, Israel

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	31 December	
		2013	2012
		Euros in thousands	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		1,117	124
Government authorities and accounts receivable	5	489	36
<u>Total</u> current assets		1,606	160
<b>NON-CURRENT ASSETS:</b>			
Long-term deposits	6	132	36
Biological assets	7	6,645	5,018
Property and equipment, net	8	16,285	5,412
<u>Total</u> non-current assets		23,062	10,466
Total assets		24,668	10,626

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	31 December	
		2013	2012
		Euros in thousands	
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Current maturities of long-term loans	12	977	278
Trade payables		386	238
Advance payments from customers		637	-
Other accounts payable and accrued expenses	9	435	255
<u>Total current liabilities</u>		2,435	771
<b>NON-CURRENT LIABILITIES:</b>			
Long-term capital lease	10	24	38
Accrued severance pay, net	11	33	30
Long-term loans	12	12,346	3,200
Capital notes and other liabilities	13	5,667	6,393
Financial liability for warrants	15	275	-
<u>Total non-current liabilities</u>		18,345	9,661
<u>Total liabilities</u>		20,780	10,432
<b>EQUITY (DEFICIENCY) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		1,029	(1,138)
Non-controlling interests		2,844	1,332
<u>Total equity</u>	16	3,888	194
<u>Total liabilities and equity</u>		24,668	10,626

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

30 June 2014			
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 INCOME**

	Note	Year ended 31 December	
		2013	2012
		Euros in thousands (except share and per share amounts)	
Revenues	17	465	419
Net gain from changes in fair value of biological assets	7	1,429	2,509
Operating expenses	21a	(429)	(380)
General and administrative	21b	(2,209)	(2,273)
Other expenses		-	(3)
Finance income	21c	-	31
Finance cost	21d	(723)	(644)
Loss before taxes on income		(1,467)	(341)
Taxes on income	19	(6)	-
Net loss		(1,473)	(341)
Attributable to:			
Equity holders of the Company		(1,013)	(571)
Non-controlling interests		(460)	230
Net loss		(1,473)	(341)
Net loss per share attributable to equity holders of the Company (in Euros):			
Basic and diluted loss per share in Euros		0.00	0.00
Weighted average number of shares used in computing basic and diluted loss per share		1,218,689,681	615,193,750

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Net loss	(1,473)	(341)
Other comprehensive loss: Amounts that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit plans	<u>(12)</u>	<u>3</u>
Total comprehensive loss	<u>(1,485)</u>	<u>(338)</u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(1,025)	(568)
Non-controlling interests	<u>(460)</u>	<u>230</u>
	<u>(1,485)</u>	<u>(338)</u>

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					Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Accumulated deficit	Capital reserve	Capital reserve from transactions with non-controlling interests			
	Euros in thousands							
Balance as of 1 January 2012	2	405	(7,178)	2,532	3,175	(1,064)	1,102	38
Net loss	-	-	(571)	-	-	(571)	230	(341)
Actuarial gains	-	-	3	-	-	3	-	3
Total comprehensive loss	-	-	(568)	-	-	(568)	230	(338)
Exercise of options to Ordinary shares	1	-	-	-	-	1	-	1
Issuance of bonus shares	23	(23)	-	-	-	-	-	-
Share-based compensation	-	493	-	-	-	493	-	493
Balance as of 31 December 2012	26	875	(7,746)	2,532	3,175	(1,138)	1,332	194
Net loss	-	-	(1,013)	-	-	(1,013)	(460)	(1,473)
Actuarial loss	-	-	(12)	-	-	(12)	-	(12)
Total after comprehensive loss	-	-	(1,025)	-	-	(1,025)	(460)	(1,485)
Capital contribution to subsidiary by non-controlling interests (Note 14)	-	-	-	-	-	-	1,972	1,972
Conversion of capital notes to equity (Note 16)	3	1,114	-	-	-	1,117	-	1,117
Issuance of shares upon IPO, net of issuance cost	15	1,966	-	-	-	2,011	-	2,011
Share-based compensation	-	64	-	-	-	64	-	64
Balance as of 31 December 2013	44	4,019	(8,771)	2,532	3,175	1,029	2,844	3,873

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended 31 December	
	2013	2012
	Euros in thousands	
<u>Cash flows from operating activities:</u>		
Net loss	(1,473)	(341)
Adjustments to reconcile net loss to net cash provided by (used in) in operating activities:		
Adjustments to the profit or loss items:		
Depreciation and amortization	93	92
Share-based compensation	64	493
Accrued interest on long-term loans and non-current liabilities	1,633	360
Change in employee benefit liabilities, net	(3)	(4)
Loss from sale of property and equipment	-	3
Gain from changes in fair value of biological assets	(1,429)	(2,509)
	-	
Changes in asset and liability items:		
Decrease (increase) in Government authorities and accounts receivable	(425)	(25)
Increase in trade payables	148	77
Increase (decrease) in advance from customers	637	(12)
Increase in related parties	-	81
Increase (decrease) in accrued expenses and other accounts payable	180	38
	898	(1,406)
Cash received (paid) during the year for:		
Taxes	(6)	-
Interest	(400)	7
	(406)	7
Net cash used in operating activities	(981)	(1,740)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
<u>Cash flows from investing activities:</u>		
Long-term deposits	(96)	(12)
Investment in biological assets	(198)	(326)
Proceeds from sale of property and equipment	-	4
Purchase of property and equipment	(10,968)	(2,036)
Net cash used in investing activities	(11,262)	(2,370)
<u>Cash flows from financing activities:</u>		
Exercise of options to Ordinary shares	-	1
Net proceeds from IPO	2,011	-
Capital contribution to subsidiary from non-controlling interests	1,972	-
payment of long term loans	(24)	221
Payment of long-term lease	(14)	(28)
Receipt of long-term loan	9,291	2,350
Net cash provided by financing activities	13,236	2,544
Increase (decrease) in cash and cash equivalents	993	(1,566)
Cash and cash equivalents at beginning of year	124	1,690
Cash and cash equivalents at end of year	1,117	124
<u>Supplemental disclosure of non-cash activities:</u>		
Conversion of capital notes to warrants and shares	1,378	-

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1:- GENERAL**

- a. DekelOil Public Limited ("the Company") is a public limited company incorporated in Cyprus on 24 October 2007. 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") was incorporated in Cyprus on 7 November 2008. At present, 51% of the issued shares in DekelOil SIVA are owned by DekelOil Public Limited while the remaining 49% of the issued shares are owned by Biopalm Energy Limited ("Biopalm") (see also Note 13 b).
- c. The Company established a subsidiary in Cote d'Ivoire, DekelOil CI SA, currently held 99.85%, by DekelOil SIVA. DekelOil CI SA was incorporated in March 2008. DekelOil CI SA is engaged in developing and cultivating palm oil plantations for the purpose of producing and marketing CPO. DekelOil CI SA constructed and is currently operating its first palm oil mill (see Note 25a).
- d. On 22 January 2008, DekelOil Consulting Ltd was established in Israel. This company, which is presently a wholly-owned subsidiary of DekelOil SIVA, is engaged in providing services to the Company and its subsidiaries.
- e. On 18 March 2013, the Company completed its Initial Public Offering ("IPO") on the AIM, a market operated by the London Stock Exchange ("the AIM"), by issuing 170 million Ordinary shares at a price of £ 0.01 per share for a total consideration of £ 1.7 million. Concurrently, upon Admission of its Share Capital to trading on the AIM and pursuant to an agreement dated 12 March 2013, the Company acquired, in consideration for the issuance of 100 million Ordinary shares, 100% of Boletus Resources Ltd. ("Boletus"). Boletus is an unquoted investment company which at the date of acquisition had cash and other assets (principally admission costs advanced by Boletus on behalf of the Company) in the approximate amount of € 650 thousand. The net proceeds received by the Company from the aforementioned (after Admission costs of approximately €529 thousand) amount to approximately € 2.01 million (see also Note 16).
- f. As of 31 December 2013, the Company has a working capital deficiency of € 829 thousand. In the years ended 31 December 2013 and 2012, the Company incurred a net loss of approximately € 1.5 million and € 341 thousand, respectively, and had negative cash flows from operations of approximately € 1 million and € 1.7 million, respectively.

In 2014 the Company completed the construction of its palm oil extraction mill and commenced production and sale of palm oil. The mill is presently generating positive cash flows from its operations and Company's management expects the positive cash flows to grow as the mill increases its production capacity. However, as this is the first year of the mill's operations, there is no certainty that the mill will be able to meet the Company's projections as to increased production and positive cash flows from such production. Furthermore, the operations of the mill 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1:- GENERAL (Cont).**

In February 2014, the Company raised approximately € 848 thousand from a placement of shares. Of this amount, approximately € 500 thousand was invested by the Company in its subsidiary, CS DekelOil Siva, and Biopalm Energy Ltd matched this investment by investing an additional approximately €500 thousand (see Note 25b).

Based on the aforementioned, Company management believes that it will have sufficient funds necessary to finance its operations and meet its obligations as they come due at least for the next twelve months from the date the financial statements are approved.

## g. Definitions:

The Group - DEKELOIL PUBLIC LIMITED and its subsidiaries.

The Company - DEKELOIL PUBLIC LIMITED.

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

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

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

## a. Basis of presentation of the financial statements:

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

The financial statements have been prepared on a cost basis, except for biological assets which are measured at fair value.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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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.

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 in FCFA linked to Euros and the funds of the Group are held in FCFA. Therefore, the Company's management has determined that the FCFA is the currency of the primary economic environment of the Group, and thus its functional and presentation currency.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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## d Cash equivalents:

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

## e. Financial instruments:

## 1. Loans and receivables:

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

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

## 2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented net of directly attributable transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

## a) Financial liabilities at amortized cost:

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.

## b) Financial liabilities at fair value through profit or loss:

After initial recognition, derivatives (warrants) are measured at fair value and the changes in fair value are recorded in profit or loss.

## 3. Derecognition of financial instruments:

## a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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

b) Financial liabilities:

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

4. Extinguishing financial liabilities with equity instruments:

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

f. Borrowing costs:

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

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

g. Leases:

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

*The Group as lessee:*

1. Finance leases:

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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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, which include mature and immature palm oil plantations, are stated at fair value. Gains/losses arising on initial recognition of plantations at fair value, and the changes in fair value at each reporting date are included in profit or loss for the period in which they arise. Palm oil trees have an average life of 25 years, with the first three years as immature and the remaining 22 years as mature. The fair value of the palm oil plantation is estimated by using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the palm oil plantations is determined using: the estimated development cost during first three years till maturity, the market price and the estimated yield of the agricultural produce, being fresh fruit bunches ("FFB"), net of maintenance and harvesting costs.

The estimated yield of the palm oil is affected by the age of the palm oil trees. The market price of the fresh fruit bunches is a mandatory fixed price derived from the market price of the final product, Crude Palm Oil ("CPO"), based on a formula in use in Cote d'Ivoire.

Significant assumptions made in determining the fair values of the palm oil plantations are as follows:

- (a) Palm oil trees have an average life that ranges to 25 years, with the first three years as immature and the remaining years as mature.
- (b) The plantation yield gradually increases to 20 tons per hectare at the age of 7 years.
- (c) Discount rate used for the valuation as of 31 December 2013 and 2012 is 18%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) The FFB price is derived by applying the oil extraction rate to the estimated CPO price of € 690 per metric ton.

i. Property, plant and equipment:

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers and software	33
Electronic equipment	15
Office furniture and equipment	15 – 20
Motor vehicles	25
Agriculture equipment	15
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including any extension option held by the Group and intended to be exercised) and the expected life of the improvement.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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## k. Revenue recognition:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration received less any trade discounts, volume rebates and returns.

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

*Revenues from the sale of goods:*

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

The Company generates revenues mainly from sales of plants.

## l. 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 (loss) per share or increases loss per share from continuing operations.

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

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

## m. Employee benefit liabilities:

## 1. Short-term employee benefits:

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law in Israel. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

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 the statement of 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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

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

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

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

p. Share-based payment transactions:

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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## 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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New and amended standards and interpretations:

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Company has adopted the following new and revised accounting standards:

- IAS 19 (Revised) Employee Benefits
- IFRS 13 Fair Value Measurement

IAS 19 (Revised) requires that the return on plan assets be recognized in profit or loss based on the discount rate used to measure the employee benefit liability. The return on plan assets excluding the aforementioned income recognized in profit or loss is included in the remeasurement of the net defined benefit liability.

The adoption of IAS 19 (revised) and IFRS 10 did not have a material effect on the consolidated financial statements.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. IFRS 13 also requires additional disclosures, and these are provided in the financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

- Biological assets:

The Group measures its mature and immature plantations included in biological assets at fair value less estimated cost to sell, based on a discounted cash flow model by engaging a professional value. The inputs to the cash flow model are derived from the professional value's assumptions of crude palm oil prices, fresh fruit bunches yield, and oil extraction rate applied on the estimated CPO price based on observable market data over the remaining useful life of mature and immature plantation. Due to long-term nature of these assets, such assumptions are subject to significant uncertainty.

- Deferred tax assets:

Deferred tax assets are recognized for unused carry forward 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION**

1. Amendments to IAS 32, "Financial Instruments: Presentation regarding Offsetting Financial Assets and Financial Liabilities":

The IASB issued amendments to IAS 32 ("the amendments to IAS 32") regarding the offsetting of financial assets and financial liabilities.

The amendments to IAS 32 are to be applied retrospectively from the financial statements for annual periods beginning on January 1, 2014 or thereafter. Earlier application is permitted.

The Company believes that the amendments to IAS 32 are not expected to have a material impact on the financial statements.

2. IFRS 9, "Financial Instruments":

- a) The IASB issued IFRS 9, "Financial Instruments", the first part of Phase 1 of a project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 ("IFRS 9") focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

- b) Amendments regarding derecognition and financial liabilities (Phase 2) have also been issued. According to these amendments, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected (designated as measured at fair value through profit or loss); that is, the classification and measurement provisions of IAS 39 will continue to apply to financial liabilities held for trading and financial liabilities measured at amortized cost.

In November 2013, the IASB issued a new version of IFRS 9 (IFRS 9 (2013)) which includes the new hedge accounting requirements and related amendments to IFRS 9, IFRS 7 and IAS 39.

The IASB did not set a mandatory effective date for IFRS 9.

The Company believes that IFRS 9 is not expected to have a material impact on the financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION  
(Cont.)**

2. IFRS 10 "Consolidated Financial statements and IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities.

IFRS 12 requires additional disclosures to be made.

The Company believes that IFRS 10 is not expected to have a material impact on the financial statements.

3. IFRS 15, "Revenue from Contracts from Customers"

In May 2015, the IASB issued IFRS 15, "Revenue from Contracts with Customers." The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will apply a five-step model to determine when to recognize revenue and at what amount. The new standard also provides guidance on when to capitalize costs of obtaining or fulfilling a contract.

IFRS 15 is effective for annual periods beginning on 1 January 2017 or thereafter, with early adoption permitted. An entity may adopt IFRS 15 on a full retrospective basis or using the cumulative effect approach.

The Company is evaluating the possible impact of IFRS 15, but is presently unable to assess its effect, if any, on the consolidated financial statements.

**NOTE 5:- GOVERNMENT AUTHORITIES AND ACCOUNTS RECEIVABLE**

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Government authorities (VAT)	339	5
Prepaid expenses and other receivables	149	24
Loans to employees	1	7
	<u>489</u>	<u>36</u>

**NOTE 6:- LONG-TERM DEPOSITS**

As a guaranty for a bank loan (see Note 12(7)), the Company deposited FCFA 75 million (approximately € 114 thousand) on which a fixed lien was recorded. The deposit bears interest at an annual rate of 3% and matures upon the repayment of the loan.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 7:- BIOLOGICAL ASSETS**

Biological assets comprise primarily development activities of oil palm oil plantation with the following movements in their carrying value:

	<u>2013</u>	<u>2012</u>
	<b>Euros in thousands except planted area data</b>	
Total planted area, Hectares	1,899	1,886
At fair value:		
1 January	4,911	2,037
Additions	198	365
Gain arising from changes in fair value	1,429	2,509
31 December	<u>6,538</u>	<u>4,911</u>

Company plantations are held by the Company's subsidiary DekelOil CI SA. Most of the plantations are planted according to agreements with land owners under which DekelOil CI SA develops oil palm plantations on the land and the land owner is entitled to receive a third of the annual agriculture profit generated from the plantation, being the revenue from the sale of FFB less the cost of cultivation and harvesting of the plantation.

	<u>31 December</u>	
	<u>2013</u>	<u>2012</u>
	<b>Euros in thousands</b>	
Palm Oil plantations	6,538	4,911
Palm Oil plants	107	107
	<u>6,645</u>	<u>5,018</u>

Biological assets include mature and immature oil palm plantations that are stated at fair value and unplanted oil palm plants in a nursery that are measured at historical cost.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 8:- PROPERTY AND EQUIPMENT, NET

Composition and movement:

	Computers and peripheral equipment	Electronic equipment	Office furniture and equipment	Motor vehicles	Agriculture equipment	Mill and nursery land *	Extraction mill under construction **	Leasehold improvements	Total
<b>Cost:</b>									
Balance as of 1 January 2012	38	6	21	181	339	38	2,818	4	3,445
Acquisitions during the year	4	-	2	17	5	-	1,704	11	1,743
Disposal of fixed assets	-	-	-	(21)	-	-	-	-	(21)
Capitalized borrowing cost	-	-	-	-	-	-	623	-	623
Balance as of 31 December 2012	42	6	23	177	344	38	5,145	15	5,790
Acquisitions during the year	11	5	2	135	-	-	9,710	-	9,863
Disposal of fixed assets	-	-	-	-	-	-	-	-	-
Capitalized borrowing cost	-	-	-	-	-	-	1,104	-	1,104
Balance as of 31 December 2013	53	11	25	312	344	38	15,959	15	16,757
<b>Accumulated depreciation:</b>									
Balance as of 1 January 2012	31	4	13	44	213	-	-	2	307
Depreciation during the year	4	-	5	9	66	-	-	1	86
Disposal of fixed assets	-	-	-	(14)	-	-	-	-	(14)
Balance as of 31 December 2012	35	4	18	39	279	-	-	3	379
Depreciation during the year	4	1	2	33	50	-	-	3	93
Disposal of fixed assets	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2013	39	6	20	72	329	-	-	6	472
Depreciated cost as of 31 December 2013	14	5	5	240	15	38	15,959	9	16,285
Depreciated cost as of 31 December 2012	13	2	5	138	65	38	5,145	6	5,412

\*) see Note 10 b.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 8:- PROPERTY AND EQUIPMENT, NET (Cont).**

\*\*\*) On 19 January 2011, a subsidiary of the Company, DekelOil CI SA, signed the agreement with Modipalm Engineering SDN ("Modipalm"), a Malaysian company, for the engineering, manufacturing, delivering and installing a palm oil extraction mill in Cote d'Ivoire. The total value of the agreement is € 9,596 thousands. As of 31 December 2013 DekelOil CI SA has paid Modipalm down payment of € 1,670 thousands, and issued a letter of credit to Modipalm at a total amount of €7,508,500. The letter of credit was issued by the EBID and is financed by the EBID and BOAD.

On 22 January 2011, DekelOil CI SA signed an agreement with Boilermech SDN BHD ("Boilermech"), a Malaysian company, for designing, manufacturing and installing steam boiler for the palm oil extraction mill being constructed by Modipalm in Cote d'Ivoire. The total value of the agreement is US\$ 1,010 thousands. The construction of the steam boiler will be in coordination with the construction of the mill by Modipalm. As of 31 December 2013 DekelOil CI SA has paid Boilermech down payment of \$ 202,000, and issued a letter of credit to Boilermech at a total amount of \$ 808,000. The letter of credit was issued by the EBID and is financed by it.

On 11 June 2012, DekelOil CI SA signed an agreement with a construction company in Cote d'Ivoire for the foundation, concrete works and other works for the mill and mill infrastructure. The contract was approved by the EBID and is being financed by it. As of 31 December 2013 a total amount of approximately € 2,044 thousands was paid under this agreement.

See also Note 25 a.

**NOTE 9:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Employees and payroll accruals	170	109
Other accounts payable	265	146
	<u>435</u>	<u>255</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 10:- LONG-TERM CAPITAL LEASE**

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 year (see also Note 8).

**NOTE 11:- ACCRUED SEVERANCE PAY, NET**

Severance pay in Israel is regarded as a post-employment benefit.

a. The plan (assets) liabilities, net:

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Defined benefit obligation	104	69
Fair value of plan assets	(71)	(39)
	<u>33</u>	<u>30</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 11:- ACCRUED SEVERANCE PAY, NET (Cont.)

- b. Changes in the defined benefit obligation:

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Liability at the beginning of the year	69	52
Interest cost	4	3
Current service cost	19	17
Actuarial loss (gain) recognized in the year	12	(3)
Liability at the end of the year	<u>104</u>	<u>69</u>

- c. Changes in plan assets:

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Assets at the beginning of the year	49	29
Contributions by employer	19	19
Interest income	3	1
Assets at the end of the year	<u>71</u>	<u>49</u>

- d. Expense recorded in statement of income:

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Interest cost	1	2
Current service cost	19	17

- e. The actuarial assumptions used are as follows:

	<b>Year ended</b>		
	<b>31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Discount rate	<u>4.81%</u>	<u>4.94%</u>	<u>5.25%</u>
	<u>4.81%</u>	<u>4.94%</u>	<u>5.25%</u>
Future salary increases	<u>3.66%</u>	<u>3.78%</u>	<u>5.43%</u>
Average expected remaining working years	<u>10.71</u>	<u>9.92</u>	<u>9.92</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 12:- LONG-TERM LOANS

- a. Comprised as follows:

	<u>Currency</u>	<u>Interest rate as of 31 December 2013</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
			<u>Euros in thousands</u>	<u>Euros in thousands</u>
EBID (b. 2)	In SDR	10.5%	7,852	2,329
BOAD (b. 1)	In FCFA	10.5%	4,535	1,105
Diamond Bank (b. 3)	In FCFA	12.5%	24	44
SGBCI (b.4)	In FCFA	8%	150	-
BGFI(b. 5)	In FCFA	10%	762	-
Total loans			13,323	3,478
Less - current maturities			977	278
			<u>12,346</u>	<u>3,200</u>

- b. 1. On 3 August 2010, DekelOil CI SA signed a loan agreement with the West Africa Development Bank ("BOAD") according to which the subsidiary will receive a loan at the amount of up to FCFA 4,500,000 thousand (approximately € 6,860 thousand). The BOAD loan shall bear interest at a rate of 10.5% per annum which would be payable on the maturity of each interest period (31 January and 31 July). The loan has tenure of eight years, and shall be repaid in 10 semi-annual installments over five years, commencing after a grace period on principal payments of three-years from its first withdrawal (September 2011).
2. On 5 February 2010, DekelOil CI SA, signed a loan agreement with the agreement with the Bank of Investment and Development of CEDEAO ("EBID") according to which EBID agreed to grant DekelOil CI SA a facility of up to 6,681,000 SDR (approximately € 7,750 thousand).

The EBID loan shall bear interest at a rate of 10.5% per annum. The loan has a tenure of eight years, and shall be repaid in 20 quarterly installments over five years, commencing after a grace period on principal payments of three-years from its first withdrawal (March 2012) .

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 12:- LONG-TERM LOANS (Cont.)**

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As a security for the EBID loan, DekelOil CI SA provided a lien over the equipment purchased from Modipalm and Boilermech (see also Note 8), a floating charge over the DekelOil CI SA assets, credit insurance cover of up to approximately € 4,500 thousand was purchased from Fond Gari and approximately € 7,550 thousand was purchased from Laloyale, and as security for this guarantee of first demand the Company provided a corporate guarantee from the Group and a lien over revenue that will be generated from 600 hectares of palm oil plantations.

3. In July 2011, a subsidiary of the Company, DekelOil CI SA, signed a line of credit agreement with the Diamond Bank for financing the purchase of vehicles and other equipment, according to which the subsidiary will receive a loan amount of up to € 1,330 thousand. Loan withdrawals can be made provided that the DekelOil CI SA will deposit 30% of the amount for each specific purchase. The loan is for a term of three years from the date of each loan withdrawal, with a grace period of three months. The loan shall bear interest at a rate of 12.5 % per annum.
  
4. On 7 May 2013, DekelOil CI SA signed a line of credit agreement with the Société Générale de Banque Cote d'Ivoire ("SGBCI) for financing the purchase of vehicles, according to which the subsidiary will receive a loan amount of up to FCFA 200 million (approximately € 305 thousand). The loan is for a term of three years from the date of each loan withdrawal. The loan shall bear interest at a rate of 8 % per annum.
  
5. On 10 September 2013, DekelOil CI SA signed a loan agreement with the Banque Gabonaise Française Internationale ("BGFI") for its working capital needs, under which DekelOil CI SA received FCFA 500 million (approximately € 762 thousand). The loan is for a term of four years with a grace period of one year. The loan shall bear interest at a rate of 10% per annum. As a guaranty for this loan DekelOil CI SA deposited a sum of FCFA 75 Million (approximately € 114 thousands) at BGFI for the duration of the loan and a guaranty of first demand from La-Loyal insurance company at the sum of 300 million FCFA (approximately € 457 thousands).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 13:- CAPITAL NOTES AND OTHER LIABILITIES

Comprised as follows:

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Capital notes:		
Due to shareholders (a)	1,390	2,571
Due to shareholder of a subsidiary (b)	4,098	3,643
	5,488	6,214
Other liability – Due to related parties	179	179
	<u>5,667</u>	<u>6,393</u>

- a. In the years 2008 to 2010, the shareholders of the Company invested in the Company a total amount of € 4161 thousand by way of capital notes.

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

The fair value of the capital notes was determined at each investment date by discounting the expected future payments relating to each capital note using the cost of debt of the Group estimated at 12.5%.

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

On 3 February 2013, the Company issued to certain existing shareholders 49,005,049 Ordinary Shares in consideration for the cancellation of capital notes at a face amount of € 225 thousand.

On 20 February 2013, the Company granted warrants to purchase 33,317,674 Ordinary Shares and issued 42,642,947 Ordinary Shares in consideration for the cancellation of capital notes at a face amount of € 261 thousand and € 1,105 thousand, respectively. (see Note 15 for details of the warrants).

On 29 December 2013, the Company issued to certain existing shareholders 43,913,713 Ordinary Shares in consideration for the cancellation of capital notes at a face amount of € 570 thousand.

The carrying amounts of the capital notes on the date of cancellation amounted to approximately € 1,378 thousand. The difference between the carrying amounts and the fair value (€ 261 thousand) of the warrants granted, in the amount of € 1,117 thousand was credited to equity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 13:- CAPITAL NOTES AND OTHER LIABILITIES (Cont.)**

As of 31 December 2013, the face amount of the outstanding capital notes amounts to € 2,000 thousands.

- b. In 2010 in connection with Biopalm's acquisition of a 49% interest in DekelOil SIVA, Biopalm also invested € 3.3 million in DekelOil SIVA as a capital note with the following terms:

The capital note accrues interest at 10% per year until paid. The capital note is either to be repaid or converted into share premium in DekelOil SIVA Limited. Assessment will be made after 3 years and after 7 years from the disbursement date (i.e. 1 November 2010) as follows:

- (i) If DekelOil SIVA will reach an IRR of 40% by either of these dates (3 or 7 years), then the capital note, principal and accrued interest will be converted to share premium; or
- (ii) If DekelOil SIVA will not reach an IRR of 40% after 7 years, then the capital note is payable to Biopalm.

The fair value of the capital note was determined at investment date by discounting the expected future payments relating to the capital note using the cost of debt of the Group estimated at 12.5%. The difference between the capital note face amount according to its terms and its fair value at the date of transaction in the amount of € 480 thousands was accounted for as part of the equity investment of Biopalm in the subsidiary.

In November 2013, the assessment was made that the IRR in (i) above had not been reached.

- c. The liability to the related party does not bear interest and is not due for payment before July 2015, provided the Company has profits available for distribution.

**NOTE 14:- CAPITAL CONTRIBUTIONS TO SUBSIDIARY (BIOPALM)**

In February 2013, the Company, Biopalm and the subsidiary CS DekelOil Siva Ltd entered into a binding letter of undertaking under the terms of which the parties confirmed the Company's intention to subscribe for ordinary shares in CS DekelOil Siva Ltd up to an aggregate amount of €3,000,000. Biopalm has, under the terms of the letter, issued an irrevocable undertaking that pursuant to the Company's investment (up to a maximum of €3,000,000), it shall subscribe for such number of shares in CS DekelOil Siva Ltd as is required to maintain its 49% Shareholding. During 2013 both the Company and Biopalm have made capital contributions to the subsidiary. The contribution of Biopalm in the amount of 1,972 thousand was recorded as an addition to non-controlling interests in equity.

**NOTE 15:- FINANCIAL LIABILITY FOR WARRANTS**

On 20 February 2013, the Company granted warrants to purchase 33,317,674 Ordinary Shares in partial consideration for the cancellation of capital notes (see Note 13).

Each warrant entitles the holder to purchase one Ordinary share at an exercise price of £ 0.01 per share. The warrants can be exercised at any time until February 2018.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 15:- FINANCIAL LIABILITY FOR WARRANTS (CONT).**

The warrants are classified as a liability measured at fair value through profit or loss since the exercise price of the warrants is denominated in GBP and therefore is not a fixed amount of currency in relation to the functional currency (Euro) of the Company.

The fair value of the warrants is calculated based on the Black-Scholes option pricing model using the following parameters:

As of the date of grant: Expected volatility of the share price - 53%; risk-free interest rate - 1.22%; share price – £ 0.01

As of 31 December 2013: Expected volatility of the share price - 53%; risk-free interest rate – 1.86%; share price – £ 0.01

Based on the above model, the fair value of the warrants was € 261 thousand on the grant date and €275 thousand as of 31 December 2013.

The change in fair value in the amount of €14 thousand was recorded in finance cost.

**NOTE 16:- EQUITY**

- a. Composition of share capital:

	<b>31 December 2013</b>	<b>31 December</b>	
	<b>Authorized</b>	<b>2013</b>	<b>2012</b>
	<b>Issued and outstanding</b>		
	<b>Number of shares</b>		
Ordinary shares of € 0.00003367 par value each	<u>2,079,002,079</u>	<u>1,347,495,909</u>	<u>761,211,761</u>

See Note 25 regarding issuance of shares subsequent to 31 December 2013.

Ordinary shares:

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

On 5 December 2012, the authorized share capital limit of the Company was increased to € 25,630 divided into 2,563,000 shares of € 0.01 each.

On 5 December 2012, the Company issued pro rata to all of its shareholders 2,275,508 Ordinary Shares (bonus shares) for no consideration.

- b. On 3 February 2013, the authorized share capital limit of the Company was increased to € 70,000 divided into 7,000,000 shares of € 0.01 each, following which the par value of each Ordinary Share was sub-divided from € 0.01 each to € 0.00003367 each and a further 807,488,000 shares were issued to the existing shareholders pro-rata to their shareholding in the Company.
- c. On 3 February 2013, the Company issued to certain existing shareholders 49,005,049 Ordinary Shares in consideration for the cancellation of capital notes (see Note 13)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 16:- EQUITY (Cont.)

- d. On 20 February 2013, the Company issued 162,855,339 Ordinary Shares pursuant to a private subscription at a price of € 0.00003367 raising a total of € 5,483.

On 20 February 2013, the Company granted warrants to purchase 33,317,674 Ordinary Shares and issued 42,642,947 Ordinary Shares in consideration for the cancellation of capital notes (see Note 15 and Note 13).

In March 2013, the Company completed its IPO on the AIM, by issuing 170 million Ordinary shares (see note 1f). In addition, the company issued 13,675,000 Ordinary shares to a Director (see note 23(7)) and also

- e. Share option plan:

In April 2008, the shareholders of the Company adopted a share option plan ("the 2008 plan"), according to which shares will be granted to employees. The number and exercise price of options have been adjusted to reflect the effect of the bonus shares issued in 2012 and 2013, as described in a. and b. above.

On 5 November 2012, the Company granted to employees of the subsidiaries, for no consideration, options to purchase 55,303,904 Ordinary shares at an exercise price of par value. The options for 42,793,206 shares vested immediately. The remainder of the options have a vesting period of 2.5 years. The fair value of the options granted in 2012 amounted to € 641 thousand.

The fair values of Ordinary shares for the purpose of calculating the fair value of options granted through 31 December 2012 were determined by applying the market approach using recent third party transaction in the equity of the Company, representing an estimate of the fair value of the shares. Since the options are exercisable at par value, the fair value of the options is equal to the fair value of the shares.

A summary of the activity in options for the years 2013 and 2012 is as follows:

	Year ended 31 December			
	2013		2012	
	Number of options	Exercise price Euro	Number of options	Exercise price Euro
Outstanding at beginning of year	16,680,931	0.00003367	133,857,849	0.00003367
Granted	-		55,303,904	0.00003367
Exercised	(3,442,098)	0.00003367	(172,480,822)	0.00003367
Outstanding at end of year	13,238,833	0.00003367	16,680,931	0.00003367
Exercisable options	6,288,445	0.00003367	4,170,233	0.00003367

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 16:- EQUITY (Cont.)**

## f. Capital reserve

The capital reserve comprises the contribution to equity of the Company by the controlling shareholders - see Note 13.

**NOTE 17:- REVENUES**

The Company has one reportable operating segment. The Company's revenues for the years 2011, 2012 and 2013 are derived from the sales of plants.

**NOTE 18:- FAIR VALUE MEASUREMENT**

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2013:

	<u>Fair value hierarchy Level 3 Euro in thousands</u>
Assets measured at fair value:	
Revalued Biological assets(Note 8):	6,645
	<u>Fair value hierarchy Level 3 Euro in thousands</u>
Liabilities measured at fair value:	
Warrants (Note 16)	275
Long term loans (Note 12)	12,346
Capital notes (Note 13)	5,488

The carrying amount of, short-term loans, trade payables, other accounts payable, approximate their fair value.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 19:- INCOME TAXES**

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## a. Carry forward losses:

As of 31 December 2013, the Company has accumulated losses for Cypriot tax purposes of approximately € 3,502 thousand, which may be carried forward, in order to offset taxable income in the future, for an indefinite period.

As of 31 December 2013, the subsidiary of the Company, CS DekelOil Siva Ltd, has accumulated losses for Cypriot tax purposes of approximately € 5,606 thousand, which may be carried forward, in order to offset taxable income in the future, for an indefinite period

As of 31 December 2013, the tax loss carry forwards of DekelOil CI SA, the Company's subsidiary in Cote d'Ivoire amounted to approximately € 5,764 thousand, which may be carried forward, in order to offset taxable income in the future, for an indefinite period.

## b. 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 2013, 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.

## c. Tax assessments:

The Company's subsidiary, DekelOil CI SA, received a final tax assessment through 2012. As of 31 December 2013 the Company and all its other subsidiaries, except DekelOil CI SA as stated above, had not yet received final tax assessments

## d. Deferred taxes:

Deferred tax assets relating to carry forward losses and other temporary deductible differences in excess of temporary taxable differences have not been recognized because their utilization in the foreseeable future is not probable.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 20:- COMMITMENTS**

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## a. Operating leases:

The Group has several rental and lease agreements which expire on various dates, the latest of which is in 2015, except the plantations lease with an annual payment of € 7 thousand which ends in 2035.

The Company can be released from those agreements with a maximum notice of six months.

## b. Other commitments:

1. DekelOil CI SA signed contracts with cooperatives and with farmers that are members in these cooperatives and hold a total of approximately 17,000 hectares of existing palm oil plantations in Cote d'Ivoire. Under the contracts the cooperatives and the farmers are committed to exclusively sell, and the subsidiary is committed to purchase the oil fresh fruit branches ("FFB") from the cooperative based on market prices at the time of harvest.
2. In 2008 DekelOil CI SA signed a conditional contract with a cooperative in Cote d'Ivoire under which the cooperative and its members are committed to exclusively sell and the subsidiary is committed to purchase the FFB from the cooperative based on market prices at the time of harvest. The members of the cooperative have approximately 10,000 hectares of existing oil palm plantations. The contract becomes effective for a period of 20 years commencing from the date the Company's palm oil mill becomes operational (see Note 27a).
3. With regards to the Group plantations totaling 1,899 hectares, see Note 7.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 21:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF INCOME

	Year ended 31 December	
	2013	2012
	Euros in thousands	
a. Operating expenses:		
Salaries and related benefits	92	83
Plants, seeds and chemicals	218	166
Cost of selling fruits	33	-
Sales commission	4	3
Rent and office maintenance	17	22
Vehicle and travel expenses	8	7
Depreciation and amortization	57	73
Subcontractors	-	26
	<u>429</u>	<u>380</u>
	Year ended 31 December	
	2013	2012
	Euros in thousands	
b. General and administrative expenses:		
Salaries and related benefits	868	716
Subcontractors	467	401
Rent and office maintenance	175	170
Travel expenses	111	119
Legal & accounting fees	219	78
Vehicle maintenance	91	102
Communication	31	31
Brokerage & nominated advisor fees	49	-
Depreciation	38	34
Share-based compensation	64	493
Other	96	129
	<u>2,209</u>	<u>2,273</u>
c. Finance income:		
	-	31
	<u>-</u>	<u>31</u>
d. Finance cost:		
Interest on loans and capital notes	652	622
Bank loans and fees	54	15
Exchange rate differences	3	7
	<u>709</u>	<u>644</u>
Net of amounts capitalized	<u>1,105</u>	<u>623</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 22:- EARNINGS (LOSS) PER SHARE**

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

	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Loss attributable to equity holders of the Company	(1,013)	(571)
Weighted average number of Ordinary shares for computing basic and diluted earnings (loss) per share	1,218,689,681	615,193,750

All share options and warrants have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

**NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
a (1). Balances:		
Capital notes and other liabilities (1)	5,268	6,214
Trade payables	25	-
Other accounts payable and accrued expenses	179	-
Other long-term liabilities	179	276
a(2) Transactions:		
Services and expense reimbursements (2)(3)	144	163
Interest on capital notes	653	691
b. Compensation of key management personnel of the Company:		
Short-term employee benefits	515	314
Share-based compensation	64	493

1) See Note 14

2) See c. 3 below.

3) See c.7.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)**

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- c. Significant agreements with related parties:
1. In February 2008, DekelOil Consulting Limited ("Consulting") signed an employment agreement with a shareholder, who is a director of the Company, the CEO of Consulting and the chairman of the Board of Directors of DekelOil CI SA. Under the employment agreement, the director is entitled to a monthly salary of € 15,000 per month (excluding bonuses and benefits). It was agreed that upon operation of the Company's mill, the base salary will be increased to € 20,000 per month. The agreement is terminable by the Company with 24 months' notice. Under the terms of the agreement, the employee is entitled to various bonuses at different stages of the Company's development, including a bonus of € 50,000 on the operation of the mill. This bonus is recorded as a liability in the financial statements as of 31 December 2013, See also (3) below.
  2. In March 2008, DekelOil Consulting Limited signed an employment agreement with a shareholder, who is a director of the Company and its Chief Financial Officer ("CFO"). According to the agreement the CFO is entitled to a salary of € 8,000 per month (excluding bonuses and benefits). It was agreed that upon operation of the Company's mill, the base salary will be increased to € 11,000 per month. The agreement is terminable by the Company with 24 months' notice. Under the terms of the agreement, the employee is entitled to various bonuses at different stages of the Company's development including a bonus of € 50,000 on the operation of the mill. This bonus is recorded as a liability in the financial statements as of 31 December 2013.
  3. On 20 May 2008, the Company signed a service agreement with Starten Ltd, a related company for a total remuneration of € 10,000 per month. The Company and Starten can terminate the agreement with a notice of 60 days. In addition, during 2012 € 80 thousand was paid to Starten under the agreement in c.1 above. During 2013 the amount of € 60 thousand under this service agreement was paid to the party in c.1 above.
  4. On 14 February 2008 a subsidiary of the Company signed an agreement with Starten Technologies CI SA ("Starten CI"), a related company. According to the agreement, the engagement with a local cell-phone service provider will be via Starten CI and the subsidiary will reimburse Starten CI based on the actual invoices from the cell-phone service provider.
  5. On 30 December 2011 a shareholder of the Company, who is a director of the Company and the chairman of the Board of Directors of DekelOil CI SA entered into a conditional investment agreement with La Loyale, an insurance company in Cote d'Ivoire that provides credit insurance to the Company's subsidiary. Under this agreement, the shareholder may purchase 12.5% of this insurance company. (See also Note 12.b.2).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)**

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6. In July 2012 a subsidiary of the Company entered into an agreement with a related party of a shareholder who is also a director of the Company and the chairman of the Board of Directors of the Company's subsidiary to be the subsidiary's supervisor over the foundation and concrete works of the mill construction.

For these services the related party is entitled to receive FCFA 2,000,000 (approximately € 3,000) per month.

7. On 5 November 2012 a director was appointed to the Company. This director had a consulting agreement with the Company in November 2011 (which was amended on 18 December 2012) pursuant to the terms of which he agreed to assist the Company with private equity fundraising or the Admission of the Company. The term of the agreement is 18 months from its effective date and it can be terminated by the director or by the Company by 30 days' notice in writing to the other party. The parties agreed that the consideration for the services provided by the director shall be a fixed fee of €24,000 (payable on Admission) as well as the issuance of shares on Admission. Upon Admission in March 2013, the Company issued 13,675,000 Ordinary shares to the director.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 24:- FINANCIAL INSTRUMENTS**

## a. Classification of financial liabilities:

The financial liabilities in the statement of financial position are classified by groups of financial instruments pursuant to IAS 39:

	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>Euros in thousands</b>	
Financial liabilities measured at amortized cost:		
Long-term capital lease	24	38
Long-term loans	12,346	3,200
Capital notes and other liabilities	5,667	6,393
Total	<u>18,037</u>	<u>9,631</u>
Financial liabilities at fair value through profit or loss (warranty)	275	

## b. Financial risks factors:

The Group's activities expose it to market risk (foreign exchange risk). The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance. As the Group's long-term obligations bear fixed rates of interest, the Group is not exposed to cash flow risks due to changes in market rates of interest.

## Foreign exchange risk:

The Company operates in a number of countries and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly, US dollars and NIS. 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 2013 and 2012, balances in other foreign currencies are immaterial.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 24:- FINANCIAL INSTRUMENTS (Cont).

Liquidity risk:

31 December 2013

	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 loan (1)	2,009	3,959	3,009	2,831	2,660	3,071	17,539
Trade payables and other accounts payable	386						386
Long-term capital lease	5	5	5	5	5	360	385
Capital note				8,430			8,430
	<u>2,400</u>	<u>3,964</u>	<u>3,014</u>	<u>11,266</u>	<u>2,665</u>	<u>3,431</u>	<u>26,740</u>

(1) Including current maturities.

31 December 2012:

	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 loan (1)	813	404	880	887	821	1,445	5,250
Trade payables and other accounts payable	238	-	-	-	-	-	238
Long-term capital lease	5	5	5	5	5	365	390
Capital note	-	-	-	-	10,581	-	10,581
	<u>1,056</u>	<u>409</u>	<u>885</u>	<u>892</u>	<u>11,407</u>	<u>1,810</u>	<u>16,459</u>

(1) Including current maturities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 25:- SUBSEQUENT EVENTS**

- a. In February 2014 a subsidiary of the Company completed construction of its palm oil extraction mill and started commercial production.
- b. On 24 February 2014 the Company raised £700,000 (approximately € 848 thousand) by way of placing 46,666,666 new ordinary shares at a price of 1.5 pence per share. A sum of approximately € 500 thousand was invested in CS DekelOil Siva and Biopalm Energy Ltd matched this investment by investing additional approximately €500 thousand.
- c. In March 2014 employees exercised 6,288,447 options under the Employee Stock Option Plan, for which 6,288,447 shares were issued to them in consideration for approximately €200.

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